

FINANCIAL TIMES

Europe's Pre-eminent newspaper

Moscow signals shift away from fast-track reform

Prime Minister Victor Chernomyrdin launched his new government with a solemn pledge to support Russia's ailing industries, lending weight to claims by outgoing finance minister Boris Fyodorov that Russia was abandoning fiscal discipline. "The mechanical transfer of western economic methods to Russian soil has caused more harm than good," Mr Chernomyrdin was quoted as saying. Page 22

Lloyd's settlement recedes: Prospects of an immediate settlement to the legal actions plaguing Lloyd's of London faded further when loss-making Names on the Feltrin syndicates voted overwhelmingly to reject the insurance market's £900m offer. Page 22

M&G Investors rebel: Some institutional investors in M&G Group, the UK's largest independent unit trust company, said they intend to vote against a proposed executive share option scheme which they say violates some corporate governance principles. The move is a potential embarrassment to M&G. Page 22

Sun editor moving to television



Its relaunch by Rupert Murdoch. Page 4

Major answers Sinn Féin: British prime minister John Major told Sinn Féin president Gerry Adams that there could be no renegotiation of the Downing Street Declaration on Northern Ireland. Page 5

Belgian ministers quit: Belgium's biggest political scandal claimed its first three ministerial victims, including deputy prime minister Guy Coens, who resigned under mounting political and media pressure. Page 2

Arms-to-Iraq inquiry: Trade and Industry secretary Michael Heseltine asked civil servants to draft parliamentary replies over the arms-for-Iraq affair with the primary aim of protecting the government from further embarrassment on the issue. The Scott Inquiry heard. Page 5

Japan's record surplus: Japan's trade surplus rose to a record \$81.3bn in 1993, 15.5 per cent higher than forecast and up 13.6 per cent on 1992. The news will provide the US with further ammunition in its efforts to persuade Japan to open its markets. Page 3

President's son killed: Bassel al-Assad, 33, eldest son of President Hafez al-Assad and widely assumed to be the Syrian leader's political heir, died in a car crash. Page 2

Caterpillar shares surge: Shares in Caterpillar, the US heavy plant and machinery maker, continued their upward surge by adding \$3 to \$97 as the company reported another quarter of strong financial recovery. Page 9; Union deregulation. Page 4

Westinghouse warning: Michael Jordan, chairman of Westinghouse Electric, repeated warnings of weak earnings by the troubled US conglomerate in the first quarter of this year. Page 9

Swedish forestry sell-off: Sweden launched its biggest ever privatisation, saying it hoped to raise up to SKr7bn (\$860m) from the sale of a 49 per cent stake in the state forestry group. Page 9

Township murders: Gunnun killed three men and two women in a packed minibus in the black township of Vosloorus, near Johannesburg. Page 9

Video nasties: Moves to ban films containing gratuitous violence from UK video shops were intensified at Westminster. Liberal Democrat David Alton said he would like the reform - backed by 100 MPs of all parties - included in the Criminal Justice Bill now before the Commons. Page 9

Oginga Odinga dies: Jaramogi Oginga Odinga, the grand old man of Kenyan politics, died aged 82. Obituary. Page 2

STOCK MARKET INDICES

	STOCK MARKET INDICES	STERLING
FTSE 100	3,484.2	+14.3
Yield	3.38	
FTSE Eurotrack 100	1,471.85	+4.29
FTSE All-Share	1,495 (1,499)	(0.3%)
Markets	19,307.43	(+22.51)
New York Composite	3,301.25	(+9.29)
Dow Jones Ind Ave	3,473.94	(-1.04)
S&P Composite	826	827
US LUNCHEON RATES		
Federal Funds	2.7%	
3-mo Treasury Bills Yld	3.00%	
Long Bond	8.26%	
Treasury	8.26%	
UK LONDON MONEY		
3-mo Interbank	5.7%	(5.5%)
Libor long gilt future: Mar 1994 (Mar 1993)	11.17	11.17
NORTH SEA OIL (Argus)	DM 1,747.4	(1,735)
Brent 15-day (Mar)	\$13.63	(13.65)
Gold	Y 111.21	(111.51)
New York Comex (Feb)	\$381.7	(381.9)
London	\$385.25	(382.3)

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GDP up 2%, first calendar year rise since 1990 ■ Market surges on boost for recovery

Economic growth outpaces forecast

By Philip Coggan,
 Economics Correspondent

The UK economy grew faster than the government forecast last year, adding weight to the Chancellor's view that the recovery is strengthening. The figures came at the end of a week of conflicting economic indicators.

Gross domestic product increased by 2 per cent in 1993, the first calendar year rise since 1990, according to preliminary estimates published by the Central Statistical Office. GDP growth, which accelerated in the fourth quarter, was above the 1.25 per cent forecast by the government in March and 1.75 per cent predicted in Chancellor Kenneth Clarke's November Budget.

Evidence of economic strength appeared to please the stock market yesterday, although this week it has risen on hopes that a weakening recovery would lead to lower interest rates. The FTSE 100 index came close to reaching 3,400, reaching an all-time intra-day high of 3,486.1. Although it fell back, the index still rose 14.2 points on the day, ending at a record close of 3,484.2. This

week the index gained 83.6 points or just under 2.5 per cent.

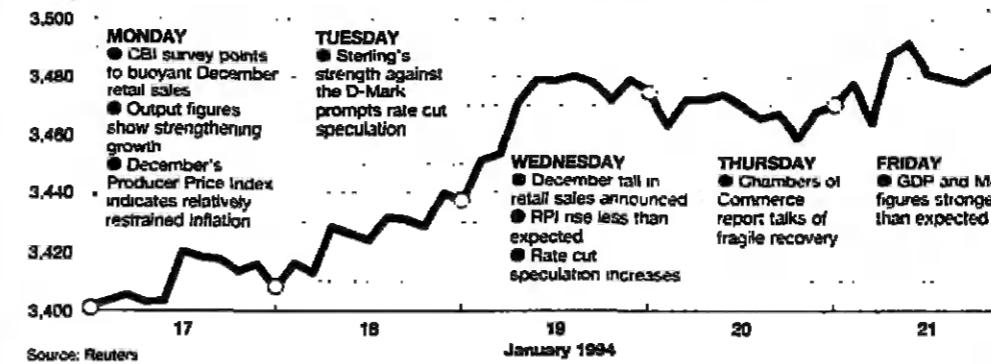
The GDP statistics, allied with reports of stronger-than-expected money supply growth, were among positive indicators this week, countering a slight fall in December's retail sales, and a British Chambers of Commerce report, which had both indicated that recovery might be faltering.

However, Mr Clarke said yesterday: "Two per cent growth in 1993 will be the envy of every major country in Western Europe; I trust we can do better in 1994 and that we will achieve 2% per cent at least."

Total GDP rose by a seasonally-adjusted 0.7 per cent in the fourth quarter of 1993, the seventh consecutive quarter of economic growth. The overall increase since the fourth quarter is 2.5 per cent, slightly up on analysts' expectations. The rise

The FTSE 100's turbulent week ends at record high

Hourly movements



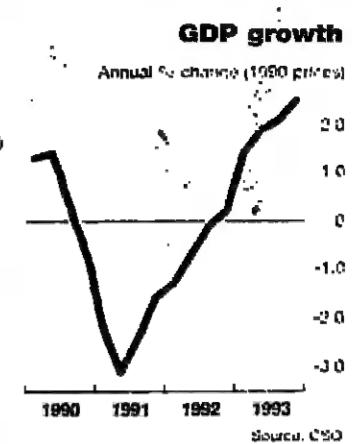
Source: Reuters

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Source: CBO

than in 1992, but has not hit pre-recessionary levels.

Growth was fairly broadly spread, the CSO indicated, the main exceptions being agriculture, depressed because of the European Union's set-aside policy, and construction, which was flat. Services are still performing more strongly than manufacturing: the annualised rise in the three months to December is 9 per cent.

Sterling lending by banks and

building societies to the private sector, M4 lending, rose sharply to £4.1bn in December, compared with £3.6bn in November. The year-on-year growth in M4 lending was 3.8 per cent in December, up from 3 per cent in November.

Mortgage lending by building societies fell back in December. Net advances declined to £624m, from November's £808m, while net new commitments fell to £2.09bn from £2.78bn.

PM backs CrossRail despite Treasury opposition

By James Blitz and Charles Batchelor

The prime minister has decided to push ahead with plans for the building of CrossRail, the £2bn east-west railway link under west central London.

It is understood that Mr John Major overruled an attempt by Mr Michael Portillo, the chief secretary to the Treasury, to block the project, Mr Major and a group of senior ministers decided to back - and even extend - plans to build the CrossRail link, central London's biggest public transport project since the Victoria Line opened 25 years ago.

The project would enable passengers travelling on suburban trains into British Rail's Paddington and Liverpool Street stations to reach the West End and the City without having to change to the Underground system.

However, ministers say that Mr Portillo and some Treasury officials raised heavy objections to the project, which would be jointly funded by the public and private sectors. The exchequer's share of the cost would be about £1bn.

It is understood that Mr Portillo argued at a meeting on Thursday that the project should be deferred because of cost. He also backed suggestions that commuter congestion in London might be relieved more cheaply by developing existing Underground stations.

But the meeting, which was attended by Mr John MacGregor, the transport secretary and Mr John Gummer, the environment secretary, overruled this view and decided to allow the CrossRail construction plans to be examined at a committee stage of the House of Commons on Tuesday.

It was also agreed to allow contractors to link the line to six London stations, one more than at first envisaged. The additional station is Holborn. The CrossRail line will pass from Paddington in west London to Liverpool Street in the east.

The decision to push ahead with the project was warmly welcomed yesterday by London First, a business-led initiative to promote London. Mr Stephen



Hosokawa: may have to agree to the less radical alternative

Hosokawa reforms fail to win backing

By William Dawkins in Tokyo

by the end of the present session, January 29. He plans to convene, early next week, a joint committee of the upper and lower houses of parliament to negotiate a deal. "I think there is room for compromise," he said.

But the chances of meeting the end of the month deadline are slim, meaning that Mr Hosokawa will come under pressure to resign should his reforms fail.

The vote is likely to provoke another realignment of political groups and delay economic measures urgently needed to pull Japan out of recession. Until yesterday, the government was planning to announce the measures early next week.

Business leaders voiced dismay, in spite of Mr Hosokawa's promise to publish the pump-priming measures "as quickly as possible."

The upper house vote was to have been the final stage before the bills became law after their adoption two months ago by the lower house.

However, 17 members of the

Continued on Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

LWT attempt to ward off hostile Granada bid fails

By Raymond Snoddy and Diane Summers

London Weekend Television's attempt to attract a white knight to help it ward off the unwanted takeover bid from Granada has collapsed.

US West, the giant US telephone company and one of the largest cable operators in the UK, was interested in a stake of 29.9 per cent in the London ITV company - the largest amount possible without triggering a full bid.

Talks continued all week with the Takeover Panel in order to obtain permission for US West to formally approach LWT. The panel, it is understood, refused to clear the approach on the grounds that it would have constituted a concert party.

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 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
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 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
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 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
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 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
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 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
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 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
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 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

Continued on Page 22
 Upper house vote astonishes ruling parties, Page 3
 Back to basics, Page 7
 Lex, Page 22

NEWS: INTERNATIONAL

Three Belgian ministers quit amid bribery allegations

By Andrew His
in Liège, Belgium

Belgium's biggest political scandal yesterday claimed its first three ministerial victims, including the country's deputy prime minister, who resigned his post under mounting political and media pressure.

Mr Guy Coëme, who also held the communications portfolio, announced his resignation minutes before attending a parliamentary committee to reject allegations of forgery and illegal acts connected with the award of a government helicopter contract in 1988.

His announcement was quickly followed by the resignations of two other leading French-speaking socialists, Mr Guy Spitaels, head of the regional government of Wallonia, and Mr Guy Mathot, Walloon interior minister.

Mrs Véronique Ancia, a Liège magistrate, wants to

interview the trio about allegations that bribes were promised to their party in return for awarding the BF300m (£150m) helicopter contract to Agusta, the Italian aircraft maker.

All three have denied any wrongdoing, but the affair had begun to undermine confidence in the government and take its toll on the Belgian currency and bonds. Analysts said yesterday that Mr Coëme's resignation was positive for the government in the short term.

However, the national coalition of French- and Dutch-speaking Socialists and Christian Democrats will come under renewed pressure if the francophone Socialist party is weakened by further allegations.

In his resignation statement, Mr Coëme said he was "disgusted" by the way in which he had been "bounced" by the opposition and by the media, which had "fed on rumours, lies and slanders" and pre-

vented him carrying out his ministerial duties. "I'm clearly headed enough not to want the government to suffer from this," he said, adding that his conscience was clear and his innocence would be proved.

Both Mr Spitaels and Mr Mathot reaffirmed their innocence yesterday, and said they regretted that the affair had become politically charged. The opposition Flemish Liberals in particular have been calling for resignations.

A special parliamentary committee last week lifted the immunity of Mr Spitaels, party leader until early 1992, and Mr Mathot. Mrs Ancia is likely to interview them next month. A separate committee yesterday began questioning Mr Coëme, who was defence minister at the time the contract was awarded. It has to decide whether to send him before Belgium's supreme court to explain his role in the affair. It

was not clear yesterday how his resignation as a minister would affect the procedure.

Belgium's government faces two tests of electoral support this year at the European elections in June and in municipal elections in October.

Mrs Ancia's investigation centres on the Socialist stronghold of Liège in Wallonia, which stood to benefit most from the Agusta contract. Agusta itself has always denied involvement in illegal financial dealings.

Speaking yesterday before the resignations were announced, Mr Michel Daerden, president of the Liège regional Socialist party, conceded that only a clear outcome to Mrs Ancia's inquiries would end the suspicions of the public about party financing. But he added that he was afraid such clarity would not be achieved before the local elections.



Guy Coëme: "disgusted" but protested his innocence

NEWS IN BRIEF

Brazilian scandal inquiry concludes

By Angus Foster in São Paulo

The committee investigating a corruption racket in Brazil's congress yesterday looked set to recommend the expulsion of at least 18 congressmen, including two of the country's most senior politicians.

The committee's report was also expected to highlight the role played in the scandal by eight construction companies. This is likely to add to pressure for a new inquiry into links between politicians and the companies, which are among Brazil's most powerful.

In an exhausting session which was set to last until late last night, and which was timed by security fears in case any accused politicians reacted violently to the report's findings, the committee heard the final conclusions of three months of hearings.

The corruption scandal involved politicians taking "fees" in return for approving construction projects within the government's annual budget. The committee also traced other irregularities, including illegal campaign funding, from politicians' bank accounts.

The committee's findings will now be passed to the judiciary for further investigation and possible legal action. The proposed expulsion of the congressmen will be put to the vote in Congress, probably next month.

The latest scandal has been seen as a continuation of a political clean-up started by the ousting of former President Fernando Collor. Although it has won wide public backing, support for the inquiry has wavered in recent days amid accusations that some guilty politicians used their influence to avoid investigation, a claim dismissed by members of the committee yesterday.

India lifts investment ban

India is to let foreign companies invest in property development, relaxing a long-standing ban, writes Stefan Wagstyl from New Delhi.

The measure, the latest step in economic liberalisation, is aimed at attracting foreign capital into the construction industry. The cabinet decided on Thursday to allow foreign companies to invest in projects including building homes and offices, developing infrastructure, the production of building materials and housing finance.

ANC announces candidates

The African National Congress yesterday published its list of candidates for South Africa's first elections, topped predictably by Mr Nelson Mandela, writes Patti Waldmeir from Johannesburg.

Mr Cyril Ramaphosa, ANC chief constitutional negotiator, took second place on the list, strengthening his claim to be deputy president to Mr Mandela if the ANC wins the elections as expected. Mr Thabo Mbeki, who has up to now been tipped to fill this position, came third on the list.

The ultra-radical Winnie Mandela, Mr Mandela's estranged wife, was demoted to position number 31 on the 200-name list after an extended meeting of the ANC's national executive committee.

Bundesbank chief prescribes more belt-tightening

By Christopher Parkes
in Frankfurt

Painful changes in German pay and public spending policies must continue for some years if economic growth is to be sustained, Mr Hans Tietmeyer, Bundesbank president, said yesterday.

"Cyclical recovery alone is not sufficient. The necessary corrections must be achieved in the medium term no matter how much they hurt," he said in a speech in Hamburg.

Speaking as wage negotiations started in Stuttgart on behalf of 3.5m public sector employees, he stressed he was not the task of monetary policy to "correct the mistakes and failings of others". Pay negotiators and politicians had made a start, but they would have to do more, he said.

The G7 public sector union yesterday formally tabled a claim for a 4 per cent award, offering to accept less in return for limits on job losses.

The employers, represented by federal and regional ministers, have for months warned that they want a "zero" settlement in the light of the spending restraint demanded by the Bundesbank. Indications from other settlements suggested that the result would depend on the negotiators' definition of "zero". Any award of less than 3 per cent - the expected inflation rate this year - would result in a real loss of earnings.

A recent deal in the chemicals industry, worth a nominal 15 per cent, was mirrored ear-

lier this week in a similar settlement for paper workers. Analysts said anything more for public servants, many of whom are guaranteed jobs for life by their civil servant status, was unlikely.

While industrial union claims so far have focused as usual on percentage increases, employers have concentrated on trying to change working practices. The chemical union's acceptance of working times adjustable according to demand, and of below-basic pay for new hires, has raised hopes of similar flexibility in other sectors.

At banking sector talks, which entered the second round yesterday, employers demanded more flexible working times and freedom for individuals to elect to work part-time.

Engineering employers want to adapt the incoming standard 35-hour week to allow employees to work between 30 and 40 hours according to market conditions. Although the powerful IG Metall engineering union this week threatened national warning strikes if employers continued to avoid discussing its claim for up to 6 per cent, industrial leaders were unmoved.

They appeared determined to exploit fears of unemployment caused by the lingering recession to press through changes, despite signs that the low point has been passed. As Mr Tietmeyer noted yesterday, export demand in October and November last year was 7.5 per cent higher than a year earlier.

OBITUARY

Odinga, fighter for Kenyan independence and democracy

Kenya has lost one of its few remaining national leaders with the death of Jaramogi Oginga Odinga, 82, the country's veteran opposition leader, after suffering a heart attack at his home outside Nairobi on Thursday, his family announced yesterday.

Late in life, Kenya's campaign for multi-party democracy galvanised him with the same conviction with which he had fought for the end of colonial rule three decades before.

In between, Odinga's independence of spirit, and an irrepressible habit of speaking his mind, earned him spells in jail and in the political wilderness. His exclusion from power, however, did not dent his popular following.

He could have been Kenya's first president. While Jomo Kenyatta, the country's founding father, was still in colonial jails, Odinga spurned covert offers from the British to groom him for power.

Kenyatta rewarded his loyalty with the vice-presidency after independence in 1963. But disenchantment with the way Kenyatta began to amass illicit wealth and policy differences led Odinga to resign from the government.

Branded a communist for his close ties to China and his opposition to a pro-western foreign policy, he disagreed with Kenyatta's decision to purchase land from white settlers for the African population, instead of expropriating it.

He left the ruling Kenya African National Union (Kanu)

party to found the Kenya People's Union, which was soon proscribed. He spent the late 1960s in prison and thereafter endured long spells under house arrest.

Kanu made several attempts to lure him back to the fold, but Odinga's strong speeches denouncing corruption and the abuse of public office rendered any rapprochement impossible.

Disillusionment with Daniel arap Moi's government, and a campaign for multi-party democracy, gave Odinga a sec-

Fears of violence grow as quake victims wait for aid

By Louis Kehoe
in San Francisco

Fears of violence were rising in Los Angeles yesterday amid desperate efforts to find shelter for the thousands of people who have camped in parks and open spaces since last Monday's early-morning earthquake.

"There has been incredible destruction of residential property," said Senator Diane Feinstein, who as mayor of San Francisco oversaw relief efforts for the 1989 earthquake there. "The destruction here is far more significant and long-range," she said.

Frustrations were rising as quake-weary victims complained about the lack of immediate assistance. Thou-

sands stood in line outside emergency centres that opened on Thursday afternoon to distribute financial aid. Most received only an application form and an appointment to return days or even weeks later.

Another problem facing victims is the exorbitant prices that some stores are charging for basic necessities. "I had to pay \$5 (£3.30) for a can of soup and \$9 for a bag of charcoal," complained Mr Larry Chisom, a young man with a wife, baby and mother to support. Still without electricity and gas, he is cooking on a barbecue.

Others say that they have had to pay up to \$10 for a gallon of water.

The city has established a telephone hot-line for con-

sidering complaints, but Mr Chisom and his friends think there may be a better solution. "This is going to bring out criminal instincts. Those store owners will regret it," he said.

Although there has been remarkably little crime and only isolated reports of looting in Los Angeles, concerns are mounting about the potential for civil unrest in a city that was torn by riots two years ago.

At least 36,000 residents are without water and thousands of homes still have no electricity.

The death toll yesterday rose to 55. As victims continued to stream into hospitals the number of injured rose to 5,700, of whom about 700 sustained serious injuries.

Russian MPs want end to Serb sanctions

By Robert Maunder in London and Lionel Barber in Brussels

Russia's new parliament, in which communists, conservatives and extreme nationalists outnumber moderates, yesterday called for the lifting of sanctions against Serbia and opposed threatened Nato air strikes against the Bosnian Serbs.

The State Duma (parliament) passed a pro-Serb motion by 280 votes to two, warning that the use of force by the western powers would not only fail to end the war, but could raise the conflict to a higher level of ferocity and confrontation.

Meanwhile, France and the United Nations mediator, Mr Thorvald Stoltenberg, yesterday followed the British government in staunchly defending Lord Owen.

Mr Hans van den Broek, the European Commissioner for external affairs, has also distanced himself from the European Parliament's demand for Lord Owen's resignation, but called for a suspension of the international mediating efforts in Yugoslavia.

In a speech to the parliament in Strasbourg on Thursday, the former Dutch foreign minister said the real responsibility for policy on Bosnia lay with the European Union itself.

Since the conflict in Bosnia broke out two years ago, Mr van den Broek has urged the west to punish Serb aggression and to avoid forcing the Muslims to conclude a peace deal leaving them without a viable country.

Mr Malcolm Rifkind, the British defence secretary, in a radio interview in London, said there was no question of British troops being pulled out of Bosnia during the winter months. Nor was there any likelihood of Britain pulling out its forces unilaterally.

"What we are talking about is whether the UN as a whole should continue to be in Bosnia," said Mr Rifkind.

Laure Silber adds from Belgrade: "Croatia yesterday announced the imminent restoration of telephone links with Serbia, cut off during the six-month war in 1991, following the agreement to normalize relations in this week's Geneva talks."

Syrian president's son dies in car crash

By Mark Nicholson in Beirut

Bassel al-Assad, the eldest son of President Hafez al-Assad and widely assumed to be the Syrian leader's political heir, died yesterday in a car crash, according to an official statement from Damascus.

The statement announced the death "with deep grief and sadness" of the 33-year-old, the oldest of Mr Assad's four sons, in a "tragic accident".

Bassel, who was being groomed for a leading political role in Syria, graduated from Damascus University with an engineering degree in 1985. He spoke several languages and was an accomplished horseman, winning a gold medal at the 1987 Mediterranean games held in Latakia, northern Syria. He also served as an army officer, training as a parachutist and reaching the rank of major.

However, despite his increasing appearances at the presidential palace from the mid-1980s, he is not thought to have held any central political responsibility within the Syrian regime. Many observers in Damascus believe that in the event of his succession to the presidency, real power would have resided elsewhere among senior military officers.

His death is certain to raise the awkward question of Mr Assad's succession, however, with the 63-year-old president far from perfect health.

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Odinga: struggled to end colonial rule

Hong Kong offers airport cash lure

By Kenneth Gooding, Mining Correspondent, in Brussels

Talks aimed at an unprecedented international agreement to cut global aluminium output ran into unexpected problems yesterday.

Delegates from the main producing countries ended three days of talks with a marathon 24-hour session, which broke up yesterday without agreement. The indications were that the talks had been prolonged by US lawyers combining through an outline agreement to ensure it did not breach US anti-trust laws.

The delegates went into the negotiations, scheduled to last for only Tuesday and Wednesday this week, with the aim of cutting world annual aluminium production by 1.5m-2m tonnes for up to two years so as to restore the market to balance. It has been badly disturbed by the collapse of demand in the former Soviet Union, where more than half the metal produced went to the military. As the military no longer requires it and Russia, the world's second largest producer, is in desperate need of foreign currency, the aluminium has been exported in ever-increasing quantities, driving up stocks and sending prices plummeting by half.

The talks this week are aimed at deciding how output cuts might be between the main producers. Taking part with Nato and the European Union, are Canada, the European Union, Norway and Australia.

Leslie Crawford

Boost to Japan's economy delayed

By William Dawkins in Tokyo

Yesterday's Japanese political fiasco further delays government plans for an urgently needed Y13,000bn (278bn) spending and tax reduction package, which was expected early next week.

Securities houses are accordingly bracing themselves for a fall in share prices when the Tokyo market, closed by the time the vote came through, opens on Monday. It was unclear last night when the government would be able to

table the package, and whether parliament would find time to legislate on the draft proposals.

"It just means more delay and uncertainty," said Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo.

Mr Morihiro Hosokawa, the prime minister, will meanwhile be bracing himself for an awkward meeting tomorrow with Mr Lloyd Bentsen, the US Treasury secretary, who has decided to add Japan to a round-the-world tour to urge Tokyo to make progress in

stimulating the economy. The vote also casts a shadow over next week's two-day meeting between US and Japanese officials in Washington on how to reduce Tokyo's stubbornly high trade surplus.

Japan's political confusion will encourage a stronger yen, because continued weakness of domestic demand will contribute to a wide trade surplus, said Tokyo economists. That will provide an extra drag on Japan's export-oriented economy. The delay of the economic package will encourage

bonds to strengthen, since it puts pressure on the Bank of Japan to trim official interest rates in the absence of other measures to stimulate the economy, economists said.

In London yesterday the dollar fell sharply against the yen in response to the vote, falling from a London close of Y111.510 on Thursday to under Y111.210. Analysts said the late recovery was probably the result of traders selling off yen positions.

By late yesterday in London,

the Japanese government bond future on Liffe was up a 1/2-point from Thursday's close at 115.38. The markets had until yesterday bargained on a package said by government officials to be potentially worth more than Y13,000bn. That would be the fourth economic stimulus since August 1992, worth just over Y30,000bn so far. The Y13,000bn plan was expected to include tax cuts worth Y6,000bn-Y7,000bn, plus Y5,000bn of public works spending and government land purchases.



Yohei Kono, opposition LDP president, in upbeat mood at a party convention yesterday

Reuter

The comedians have the last laugh



By Emiko Terazono in Tokyo

"It's unbelievable," sighed Mr. Utako Shimomura, an upper house MP, overcome with relief after the unexpected defeat of Japanese Prime Minister Morihiro Hosokawa's political reform bill yesterday.

Mr. Shimomura, a comedian by profession, is dead serious when it comes to politics. Clad in a formal brown kimono, he steadily cast his green ballot against the bill yesterday with a dignified manner.

It may be the first time in Japan's postwar history that small, obscure parties such as his Ninn Club, a loose coalition of three comedians and two independent MPs, have been pushed into the limelight.

The coalition and opposition parties, desperate for votes, have tried to win upper house members from the entertainment and athletic patch - those traditionally snubbed because their popularity is based on their jokes or their wrestling techniques rather than their policies.

Mr. Shimomura claims that his party is the "conscience of the upper house". "We've got to show people that the upper house is not just a shadow of the lower house," he says.

The Ninn Club has opposed the political reform bills because the small constituencies created by them would put smaller parties at a disadvantage. The larger parties make the same claims.

Mr. Hosokawa managed to win votes from the Sports Peace party, formed by Mr. Antonio Inoki, a square-chin-

ned professional wrestler, and Mr. Takeshi Emoto, a former baseball star. However, the Ninn Club firmly resists the faxes and telephone calls from coalition parties, announcing last week that they would oppose the bill.

But although Mr. Shimomura is delighted by the bill's defeat, he now faces the prospect of having to accept the compromise bills from the Liberal Democratic party, the leading opposition. "The LDP's version of political reform is worse," he says.

Upper House reform vote astonishes ruling parties

Coalition in disarray after unexpectedly widespread revolt by dissident Socialists

By Michiyo Nakamoto in Tokyo

The atmosphere in the normally sedate corridors of the diet building was one of astonishment and disarray.

Representatives of Japan's coalition government were visibly shaken by yesterday's vote against political reform.

"We did not even dream that such a thing could happen," said Mr. Kozo Watanabe, of the Japan New party.

Of the dissident Socialists who scuppered the legislation, he said: "It may be that the awareness of their responsibility as the governing party was

not strong enough."

Socialist leaders quickly gathered behind closed doors to assess the situation.

In the opposition camp leaders relished the victory. Mr. Kazuo Shii, head of the Japan Communist party's secretariat, pronounced the outcome as "a reflection of the people's will."

In a combative mood though as solemn as ever, Mr. Yohei Kono, the LDP leader, emphasised the seriousness of Prime Minister Morihiro Hosokawa's responsibility.

"He failed in his first promise to enact the reform bills by the end of the year and he is

about to fail in his second promise to do so by the end of the emergency diet session."

Mr. Hosokawa managed to maintain his aristocratic composure as he emphasised the government's continued commitment to reform.

The confusion which followed the upper house vote had broken an uneasy tension which had hung heavily over the Assembly Hall during the hour leading up to the final result.

Last-minute attempts by both sides to tip the balance had continued as representatives of the coalition and opposition parties had come to the

podium to present their cases for and against the reforms.

Senior members of the LDP and Socialist parties alike had left the Assembly Hall from time to time with prospective rebels on each side to make a final plea to those expected to hold the casting vote.

It was not until the very last minute, when the votes had been counted and re-counted, that the uncertainty was cleared by the surprisingly large number of Socialist rebels who had voted against the reforms, a historic change in the public had been waiting for.

On the streets, many citizens expressed frustration with both the government and the opposition for their failure to enact the reform bills.

"What have they been doing for the past 60 days using taxpayers' money?" asked one middle-aged man who was angered by the news.

"There are so many important things that need to be done, particularly economic reform," he said.

"The LDP should also co-operate and ensure that the reforms pass so that the government can move on to other things."

Record annual trade surplus leaves economists disappointed

By Paul Abrahams in Tokyo

Japan's trade surplus rose to a record \$120.4bn (281.5bn) in 1993, 15.5 per cent higher than forecast and up 13.6 per cent on 1992.

The 1993 figure exceeds the previous record of \$106.63bn achieved the year before.

The finance ministry statistics will provide the US with further ammunition in its efforts to press Japan into stimulating the economy and opening Japanese markets to imports.

Japanese exports to the US during December exceeded American imports by \$8.4bn, a rise of 17.3 per cent. The surplus, described by economists as surprising and disappointing, was up from \$11.2bn to

\$12.9bn. Japanese exports in the month were \$32.7bn, while imports were \$19.8bn.

Mr. James Vestal, BZW's chief economist in Japan, said currency movements had distorted the figures. In yen terms, exports had declined and imports increased. Meanwhile, the gravity of

savings, government bonds and investment trusts, increased 2.9 per cent in December compared with 12 months previously.

"This shows the economy is still bumping along the bottom. Public bank lending has increased 12 per cent, but this represents only a fifth of all lending. Private bank lending to individuals and small business is up only 0.5 per cent," said Mr. Geoffrey Barker, economist at Baring Securities in Tokyo.

"The question is whether private banking is subdued because of lack of demand, or because of a credit squeeze by the banks. I believe it's mainly the demand side. Once private bank lending picks up, we'll know the economy is heading for recovery."

Japan's Ministry of International Trade and Industry yesterday launched an investigation into allegations that a small Tokyo-based company had arranged the sale of 12 Russian attack submarines to North Korea, writes Paul Abrahams in Tokyo and John Burton in Seoul.

The ministry said the Japanese embassy in Moscow had asked the Russian government for an explanation of the sale. It has also approached a Tokyo-based group, understood to be Toen Trading Company, about the transaction.

The Russian authorities had explained the submarines were obsolete, having been built in the 1960s, and were being sold as scrap, said the ministry.

Russia said the contract for the 12 diesel-powered Foxtrot-

class submarines required that Russian officials supervise dismantling of the vessels, which are being delivered without weapons or important core components.

Only one submarine had so far been removed from the Russian Pacific Fleet's base in Vladivostok to North Korea, according to the Russians.

There would be no legal problems for Toen if it had sold the submarines as scrap, but if not, the group could be prosecuted under the foreign exchange and foreign trade law, Miti said.

South Korea expressed concern this week that Russia had broken a 1992 pledge not to supply military equipment to North Korea after Japanese newspapers reported that Pyongyang had purchased the

decommissioned Russian submarines through a small Japanese trading house.

Some analysts believe North Korea may try to cannibalise the submarines for spare parts to keep in service the fleet of ageing Whiskey- and Romeo-class submarines, which are approaching the end of their operational life.

But South Korea was told by its US military that there was only a slim chance that North Korea could recover parts for use in its other submarines. South Korea is worried that operational deployment of the submarines would negate its efforts to establish parity with the North's submarine fleet.

South Korea's first submarine, a modern German-designed Type 209-class vessel, entered service last year.

Burmese generals still jittery after all these years

With all opposition crushed, the junta is in no mood to ease up, reports Victor Mallet

To sentence four men to death in a summary trial, to jail 1,000 innocent people for up to seven years after court hearings lasting as little as a minute, and to sack the police chief of the capital along with several junior officers might seem an exaggerated response to the death of a single student in a brawl.

In Burma - where these actions were taken this month by the military junta, according to the official media and diplomats in Rangoon - such harshness and disregard for the due process of law barely raised a few eyebrows.

The generals who have ruled Burma for three decades are believed to have acted with particular speed and severity to appease the dead man's fellow-students because a similar

incident involving the stabbing of a student at a tea-shop sparked the pro-democracy uprising of 1988.

Five years after crushing that uprising by killing thousands of Burmese civilians, the junta, now known as the State Law and Order Restoration Council (Slorc), looks more powerful than ever.

Organised domestic opposition to the Slorc has been crushed. Some of the 700 delegates to the national convention, a gathering appointed to rubber-stamp a new constitution entrenching the power of the armed forces, almost whimpered with fear when spoken to by foreign journalists.

It is easy to understand why. Ms Aung Khin Sint was jailed for 20 years last year because he had the temerity to remind his fellow-delegates that they had a duty to the Burmese people, a cryptic message taken to

mean that they should stand up for their democratic beliefs at the convention.

Buddhist monks, another group regarded as potentially dangerous by the Slorc, have

been imprisoned or bought off with gifts of televisions and endowments for their monasteries.

No-one expected the Slorc suddenly to hand over power either been imprisoned or bought off with gifts of televisions and endowments for their monasteries.

to civilians and take a back seat, but foreign diplomats are surprised that the increase of the junta's economic and political power over the past two years has not given the generals a greater sense of security or encouraged them to prepare a more liberal constitution.

The outline of the new constitution now being drafted not only gives the military a role in the executive, the legislative and the judiciary, and in all levels of government from the national to the local, but also gives the armed forces complete autonomy in all military matters (including the defence budget) and the right to declare an emergency and take power whenever they please.

Really, they are in such a strong position that they can give away a lot more than they have," said one diplomat.

Members of the Slorc, in an attempt to whip up popular support and justify the continued house arrest of Ms Aung San Suu Kyi, the pro-democracy leader, trumpet the army's nationalist character and repeatedly condemn supposed "neo-colonialist" and "imperialist" plots.

Government officials criticise Ms Suu Kyi for having married a foreigner (a Briton) and the draft constitution bars those with foreign spouses from becoming president.

The junta's latest political creation, a successor to failed pro-military political parties of the past, is the Union Solidarity and Development Association (Usda), a mass movement with civilian leaders whose activities - usually ending

with "rousing cheers" and "tumultuous chanting of slogans" - have been reported in the state media every since its foundation last September.

Most of those attending USA rallies are civil servants or schoolchildren given the day off work; before one such rally in Rangoon recently, pupils were told they would fail their exams if they did not go.

Burma and USA are often compared with Indonesia and its ruling party Golkar. Burma's generals have acknowledged they aspire to the influence of the army in Indonesia.

The main difference - which may explain why the Burmese junta remains so insecure - is that the army in Burma is much more unpopular than its Indonesian counterpart.

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Council raids builders' offices in fraud probe

By John Authors

The Labour-controlled London Borough of Lambeth has taken the unprecedented legal step of raiding the offices of one of its own sub-contractors, confiscating documents and freezing funds as part of an attempted crackdown on alleged fraud.

Mr Paul Clayton, the district auditor who last year attacked the south London borough in a report claiming that £20.2m had been spent unlawfully, has backed Lambeth's "unique" action, signalling that local authorities will be encouraged to take a tougher stance on fraud.

In a management letter to council members, he says: "I regard the council's success in obtaining High Court orders as a sound, appropriate and imaginative approach to the recovery of large sums which may have been overpaid."

Last October council officials obtained injunctions from the High Court against Botes Building, a London-based maintenance company which carried out work on council houses in six of Lambeth's 20 administrative areas. Solicitors for the council, accompanied by independent solicitors, raided Botes' offices and removed and copied thousands of documents.

Lambeth claims that it was over-charged by a total of £4m by Botes Building and its managing director, Mr Ian Botes. There are three other defendants: a former Lambeth employee; a consultant surveyor previously retained by Lambeth; and a former director of Botes who left the company last year.

Mr Botes and the company were ordered by the High Court to pay £100,000 into an

account. This was raised to £250,000 by the Appeal Court after an appeal by Lambeth.

Lambeth's claim concerns four contracts, three on individual properties, including a building in Guildford Road, Stockwell, and one claim of £23.5m covering the council's maintenance contract, which includes thousands of individual transactions.

Mr Justice Judge said there was "powerful evidence to support the allegation that the Guildford Road contract was marked by dishonesty and fraud on Lambeth which involved employees of both Lambeth and Botes". He said that "by not earlier than early 1983 Mr Botes personally was aware of very serious anxieties which this contract was giving rise". He added: "In spite of that knowledge he neither acted personally to ensure that the issue was ventilated with Lambeth, nor did he instruct his staff to do so."

However, Lord Justice Evans, speaking in the Appeal Court, said Lambeth's claim for a £4m limit was "clearly excessive, on the material now before us", and added that Lambeth's records were not yet up-to-date.

The court was told that Mr Botes had done a "quick check" in October and arrived at an overvaluation figure - the difference between the value of work Botes did and the amount Lambeth paid them - of £4m for the maintenance contract. Lord Justice Evans said Lambeth "should be free to renew their application when clear evidence, simply stated, becomes available to them to justify a certain or approximate sum as the value of their claim in respect of the maintenance contract".

By Andrew Taylor, Construction Correspondent

Contempt of court proceedings have been issued against some of Britain's biggest producers of ready-mixed concrete and eight company directors alleged to have operated price-fixing and market-sharing agreements.

If found guilty companies could face unlimited fines and directors could be fined or

imprisoned for up to two years according to the Office of Fair Trading, which brought the charges.

It is the second time in three years that some producers have faced contempt proceedings involving subsidiaries.

In the latest action, nine companies are alleged to have broken court orders and undertakings not to operate price-fixing and market-sharing agreements in north-west

England, East Anglia, east Midlands, London and the home counties.

They are: Hartigan Ready mix of Newport Pagnell; Mix-concrete, London; Pioneer Concrete (UK), London; Tarmac Roadstone Holdings, Wolverhampton; Willmett Ready Mix Concrete, London and four subsidiaries of RMC, the world's biggest concrete company; Ready Mixed Concrete (Eastern Counties), Ready

Mixed Concrete (London), Ready Mixed Concrete (North West), Ready Mixed Concrete (Transite) of St Albans.

Sir Bryan Carsberg, director-general of fair trading, alleges that the companies had breached court orders and undertakings given to the Restrictive Practices Court in the 1970s.

Sir Bryan said: "We have now amassed a substantial amount of evidence to suggest

flagrant and widespread breaches of competition law. The evidence also suggests that previous court orders banning collusion have been ignored; the participants must now answer to the court."

RMC said yesterday that since 1978 it had issued express instructions to staff not to participate in any market arrangement. It said it would defend the legal proceedings brought against its four staff.

Virani 'a victim of fraud at BCCI'

Mr Nazmudin Virani, the former property entrepreneur, was a victim of, not a participant in, the fraud perpetrated by the Bank of Credit and Commerce International; his barrister, Mr Anthony Scrivener QC, told the Old Bailey yesterday, John Mason writes.

In an opening statement to the jury, Mr Scrivener said there was no dispute that BCCI had been run by a "gang of crooks". However, Mr Virani had been "duped" by a senior BCCI figure into signing documents which the prosecution claims shows he was part of a conspiracy to inflate the bank's profits by £30m.

Mr Virani denies one charge of conspiring to defraud BCCI investors, one of theft, one of false accounting and one of furnishing false information to Price Waterhouse, BCCI's auditors.

Mr Scrivener said that when BCCI got into its enormous financial difficulties, Mr Mohammed Haque, the head of BCCI's London property division, was told to create fictitious accounts to fool the auditors.

These included letters which falsely confirmed that the Virani group of property companies had loans from BCCI totalling £30m. Mr Virani had trusted Mr Haque and had not studied these letters closely before signing them, Mr Scrivener said.

Although Mr Virani had been fooled by BCCI, he was in good company. Mr Scrivener went on. The Bank of England, accountancy firm Price Waterhouse, the ruler of Abu Dhabi and other wealthy Middle Eastern figures had also been duped, he said.

The trial continues next Wednesday.

Fresh review for Rosyth naval base

The Ministry of Defence has told employees at the Rosyth naval base in Fife that it is once again reviewing its future. The base adjoins the Rosyth naval dockyard, whose future was last summer guaranteed until 2006.

The base, which employs 1,800 civilians and involves 4,000 naval personnel on land and at sea, was reprieved from closure in July 1991.

The review follows a statement in December by Mr Malcolm Rifkind, defence secretary, who said he was setting up a study to look at ways of reducing the forces' spending on back-up services to meet heavy cuts in the defence budget from 1998.

On current plans the civilian workforce will drop from its present 1,800 to 1,300 by April next year, the MoD said.

Classic FM wins Dutch licence

Classic FM, the commercial classical music station, has won one of two new FM music frequencies in the Netherlands.

Sir Peter Michael, Classic FM chairman, said yesterday that winning the licence was a step in the direction of the long-term strategy "to build a European network for the station".

Radio advertising has been growing in the Netherlands and is expected to reach an estimated £4.5m in 1995.

Genetic science controls eased

The government yesterday announced the first relaxation of controls over the release of genetically engineered organisms in response to complaints that present regulations are too time-consuming and bureaucratic.

The Department of the Environment is introducing a "fast-track" approvals process for field trials of plants whose genes have been modified. It will apply to "low-risk releases" of several crops.

So far the department has approved 15 releases of genetically modified organisms under the present regulations.

Concrete producers face contempt proceedings

By Andrew Taylor, Construction Correspondent

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Upfront: Kelvin MacKenzie masterminded many classic Sun frontpage headlines, including attacks on Labour leader Neil Kinnock and EC president Jacques Delors

Sky's the limit for soaraway Kelvin

By Raymond Snoddy

Mr Kelvin MacKenzie, the man who took the credit and the blame for headlines such as "Gorchot" and Freddie Starr ate My Hamster is turning his back on tabloid newspapers after 13 years as editor of The Sun.

The archetypal tabloid editor, who rarely appears on television if he can possibly help

it is leaving what used to be called Fleet Street to be managing director of British Sky Broadcasting.

Mr Gus Fischer, News International chief executive, said that as one of the most successful editors Mr MacKenzie deserved such a career move, and added: "He is very smart. He can also be serious, very serious."

At BSkyB - in which Pear-

son, owner of the Financial Times, has a significant stake - he will be joining Mr Sam Chisholm, chief executive, one of the few people in the UK media who is every bit as colourful and direct: in his language as the departing editor of The Sun.

Mr Chisholm, who will be showing 47-year-old Mr MacKenzie the ropes from next Monday, said last night: "The

great thing about Kelvin is he is a highly creative, very energetic man with a great deal of flair and imagination."

Mr Stuart Higgins, aged 37, the deputy editor of The Sun and acting editor of the News of the World, will become only the third editor of the paper since its relaunch by Mr Rupert Murdoch in 1989.

Mr MacKenzie was saying little last night about his new

job. He did issue an uncharacteristically bland official quote about having had the best job in British journalism for the past 13 years and was now on his way to one of the most exciting challenges in television.

Other than that he could not be distracted from editing last night's paper.

BSkyB may never be the same again.

Regulator signals tough approach to gas shake-up

By Robert Corzine

the "Chinese walls" occurred.

Ms Spottiswoode said the previously strained relationship between Ofgas and British Gas had improved markedly in recent months.

At the conference, Mr Cedric Brown, British Gas chief executive, assured sceptical independent gas marketers that British Gas' trading arm would "pay on the same basis as any other pipeline customer".

But Mr Kris Maroe, chief executive of Alliance Gas, a joint venture between British Petroleum and the Norwegian companies Statoil and Norsk Hydro, called for "concrete" rather than "Chinese walls".

Ms Spottiswoode unveiled an ambitious timetable to meet the government's target for the partial lifting of British Gas's monopoly over the mainly residential sector of 18m consumers in 1996. Full abolition will

coincide with the opening of the domestic electricity market in 1998.

She confirmed that worries about the ability of British Gas's information technology and residential metering system to cope with a sudden shift of consumers to independent suppliers was the reason for phasing in competition.

Ofgas will work closely with British Gas in tackling the issue, which is among many questions which will be raised in a consultation document to be published next month.

The consultation period will end in May, when the DTI will start preparing the legislation to open up the residential market. The gas bill would need to be ready for introduction in November and become law next summer if the timetable is to be met. But the government has not given a commitment to introducing it this year.

However, the company said yesterday that the tip price had strengthened and it was confident it could operate profitably. The DTI declined to comment on the leaked letter.

Carnon, based near Truro, employs 250 people, and another 250 jobs depend on its supplying companies. According to the Sainsbury letter, the DTI is concerned about the unemployment and possible environmental harm. He is also unhappy with the statement that traffic growth in some parts of the country "would produce unacceptable economic and environmental consequences".

The draft says the government will have to produce measures to influence traffic growth.

Friends of the Earth said the document showed the government was far from agreed on a sustainable transport policy.

In an accompanying letter,

Tin mine confident as DTI cuts funds

By David Lascelles, Resources Editor

Cornwall's last tin mining company, Carnon Consolidated, said yesterday that it hoped to continue operating, in spite of reports that the government is to end vital financial support.

According to a leaked letter from Mr Tim Sainsbury, industry minister at the Department of Trade and Industry, the government has decided not to extend any further loans to the company beyond the £23.4m advanced already.

The letter says that the DTI has decided that the project is "in jeopardy" and that Carnon has been unable to adjust its costs to the low price of tin. Carnon's directors told the DTI in November that they need £200,000 before the end of January to keep going.

However, the company said yesterday that the tip price had strengthened and it was confident it could operate profitably. The DTI declined to comment on the leaked letter.

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In an accompanying letter,

Cash-with-order adverts reprieved

By Diana Summers, Marketing Correspondent

A European Union plan that would have prevented advertisers from demanding cash with customers' orders has been scrapped.

The EU's draft "distance selling" directive has been amended, after strong lobbying by UK advertising groups, and now omits all reference to the proposed cash-with-order ban.

Under the previous draft, consumers ordering goods by post would have been entitled to wait for the goods to arrive before forwarding their cash.

The Direct Marketing Association said it was "surprised and pleased" that the Greek presidency of the EU had decided to amend the draft.

The association said the cash ban would have been a "fraudster's charter" and some advertisers' existence would have been threatened by the end of January to keep going.

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voted for union derecognition. The company - the world's biggest manufacturer of construction equipment - said had expressed their preference for working directly with the management. The unions involved were the MSF technical union and the Apex white-collar section of the GMB general union.

The company added that this was "part of an on-going strategy to expand employee involvement". It refused to say whether it would extend its offer to manual workers.

The government yesterday announced the first relaxation of controls over the release of genetically engineered organisms in response to complaints that present regulations are too time-consuming and bureaucratic.

FINANCIAL TIMES

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Saturday January 22 1994

Unpredictable ebbs and flows

US fund managers, when compared with their British counterparts, have tended in the past to be thoroughly parochial. Not any more. Over the past 12 months, analysts have constantly detected American footprints behind successive twists and turns in the global equity and bond markets. Yet there is a paradox here, in that the US can an estimated deficit on the current account of its balance of payments last year of more than \$100bn. That implies that it had to import \$100bn from abroad to finance the deficit. How is it that a country importing capital on this scale could be responsible for capital outflows that drove the rest of the world's markets to record levels?

Part of the answer is that the global market in capital now operates on a gigantic scale. Japan remains the biggest global saver, with a current account surplus in 1993 that probably topped \$140bn. But the smaller European countries contribute significantly to the pot. Switzerland and Benelux alone run current surpluses not far short of \$30bn. And then there are surpluses aplenty in the south-east Asian dragon economies, where the Confucian virtue of thrift has a way of generating high capital exports. If, as seems likely, the outflow of portfolio capital from the US last year amounted to \$130bn-\$140bn, there will have been equal and opposite flows in the form both of portfolio capital, direct inward investment, short-term finance and so forth from the rest of the world.

Whereas in the 1980s much of the US deficit was bilaterally financed by Japanese investors, the flows are now more diversified. Japanese capital pours into Europe on a bigger scale. European capital goes to the US; and since the global balance of payments has to balance, everything works out in the end except in the official statistics, which fail to capture all the movements. It follows from all this that predicting market trends on the basis of balance of payments capital account movements is becoming increasingly difficult.

Independent logic

The present pattern of international payments is likely to change substantially over the rest of the decade as the US and most other large industrialised countries reduce the structural element of their budget deficits, which are a form of public sector dis-saving. The more normal historical pattern, whereby rich countries export their savings to take advantage of higher returns in the developing world, will reassert itself. But whatever happens to the surpluses and deficits, the portfolio flow will pursue an inde-

pendent logic, because fund managers, especially in the US, may continue to increase the overseas proportion of their funds.

It is precisely this structural change in the US investment portfolio that has been moving the markets. The money that has poured out of the US banking system and into bond and equity funds has spilled over into foreign markets. More important, US life assurance companies and pension funds have been persuaded of the virtues of diversification and are raising the foreign content of their portfolios in order to reduce risk. S.G. Warburg Securities estimates that if these institutions were to raise their target for foreign assets to 10 per cent of the portfolio, it would generate another \$300bn of net purchases of overseas assets, or \$60bn a year over five years. That would probably be more than enough to offset a sudden withdrawal of mutual fund money in response to any increase in US short-term interest rates.

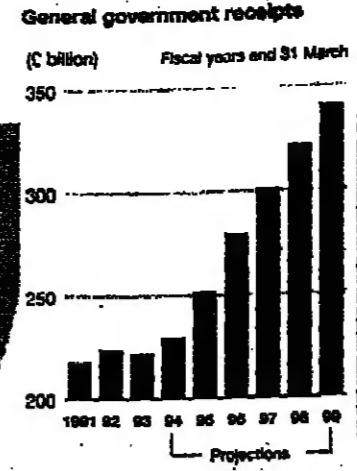
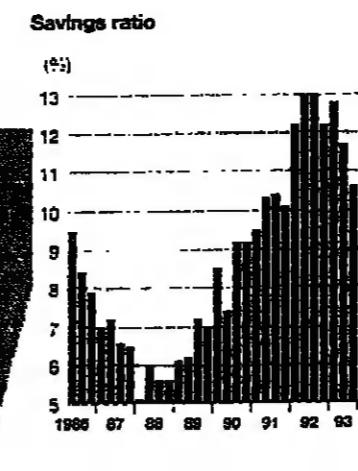
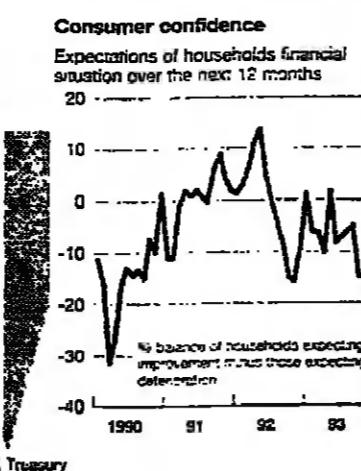
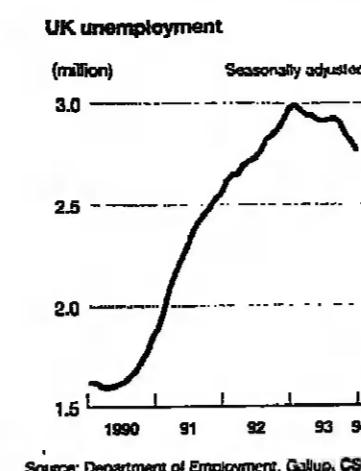
Move markets

Japanese investors are the only other group with an ability to move markets that bears comparison with the Americans. Here again, there has ceased to be any obvious correlation in the 1990s between portfolio flows and the state of the capital account. Despite a current account surplus that has gone from \$35bn in 1990 to more than \$140bn in 1993, Japanese purchases of foreign bonds and equities were negligible compared with the level of outflow in 1989. But then in the last quarter of 1993 their foreign purchases suddenly rose to more than \$30bn, as they realised that they were missing out on the rest of the world's boom when the domestic market was sluggish.

If the Japanese economy starts to recover, the external account will shrink. But Japanese portfolio movements will probably continue to obey a logic that has recently been dictated more by perceptions about economies, currencies and yield differentials than the balance of payments, or arm-twisting by government bureaucrats. It would not be surprising if the outflow of portfolio capital increases in the current year.

There is, of course, an alternative, contrarian, approach to cross-border investment which argues that the foreign investor is usually the greater fool to whom wise domestic investors sell just before the peak of the market. Certainly that could be argued of the Japanese, who sometimes appear to compensate for their genius in manufacturing by creating bubbles in finance. Maybe their sudden dash for foreign markets late last year should be taken as a warning signal.

Will better economic news boost optimism and bring down savings to offset higher taxes?



Kenneth Clarke, shadow Chancellor

Peter Norman says the UK economy is emitting hard-to-decipher signals

A clear case of confusion

On the past few days, the British economy has flaunted an increasingly familiar mix of the good, the bad and the crazy.

Evidence of a strengthening recovery where price pressures are not an immediate problem is impressive: unemployment dropping below 10 per cent in December; a welcome quickening of manufacturing output growth in November; headline inflation below 2 per cent last year; and yesterday's news that the economy grew by a real, seasonally adjusted 2.5 per cent in the final quarter of last year, compared with the same period of 1992.

On the other hand, a slight decline in retail sales between November and December and a warning from the British Chambers of Commerce that growth might be hitting a "glass ceiling" prompted some to forecast an early worsening of economic conditions.

Financial markets have this month reacted crazily in response to conflicting signals. Ten days ago, news that Mr Kenneth Clarke, the chancellor, had ruled out an early cut in bank base rates from 5.5 per cent triggered a 41.8-point drop in the FT-SE Index. On Wednesday, that decision apparently forgotten, share prices soared as December's mildly disappointing retail sales and a lower-than-expected jump in inflation last month revived hopes of easier money.

Mr Clarke has done his best to calm the mood swings. The recovery, he has said, is steady and strengthening. He has condemned as "absolutely silly" the ballying of good figures one day and bad the next. He has sought to dampen interest rate speculation by stressing the need for a sustainable recovery with growth that is "really going to happen for some years

Everyone is talking about how wonderful it is that interest rates are coming down. But what about people who took early retirement and invested their lump sum in a building society? Mr Peter Hutchings, 62, an ex-ETR executive, speaks for many retired people. Over the past two years, he has seen the gross return from his building society account fall from more than 11 to less than 5 per cent.

Government ministers say they receive more complaints when they cut interest rates than when they increase them. It was partly to placate retired savers that the government this week produced a Pensioners' Guaranteed Income Bond, offering a fixed rate of 7 per cent paid monthly for five years.

Mr Hutchings is not impressed.

Because he is less than 65 years

old, he will not be eligible to buy the bond. As he points out: "A lot of people have been retiring early over the last few years" and will not be able to benefit.

Nevertheless, it is likely that the bond, which offers over 1 percentage point more than similar building society products, will attract those who like the security of a government-backed investment.

Mr Herbert Muddocks, 77, a former chemical engineer from Chester whose income has fallen as a result of lower rates, says he is impressed by the terms of the bond.

The elderly middle classes, a bedrock Conservative constituency, have not all been hit. Most have corporate pensions, which have

or met Mr Eddie George, the Bank governor, for the first of their monthly discussions of monetary conditions this year. The tax increases announced in November's Budget, on top of those still to take effect from his predecessor Mr Norman Lamont's March Budget, have made all conventional forecasts and projections subject to grave uncertainty.

Nobody knows how the British public will react to April's cocktail of a 1 percentage point jump in employees' national insurance contributions, reduced mortgage interest relief, the lower tax allowance for married couples and the introduction of a value-added tax on domestic fuel and power.

The tax increases planned for the financial year starting in April amount to £5.4bn, equivalent to 1.2 per cent of gross domestic product. Add those planned for 1995-97, and the cumulative effect will be 2.3 per cent of GDP, according to this week's report on the Budget from the House of Commons Treasury and Civil Service Committee.

Officials in both the Treasury and Bank of England agonised considerably about the merits of a further interest rate cut before the chancellor

When savers don't prosper

ahead". But the chancellor is the man ultimately responsible for the radical changes of mood. The tax increases announced in November's Budget, on top of those still to take effect from his predecessor Mr Norman Lamont's March Budget, have made all conventional forecasts and projections subject to grave uncertainty.

Another possibility is that the chancellor, like Mr George, with whom he has established a good working relationship, is genuinely serious about the need to get inflation in the UK firmly under control, and believes that there is some way to go before this has been achieved.

There are plenty of signs that inflation in the UK is tamed rather than defeated. The government's stated goal is to bring the underlying rate of inflation, as measured by the retail prices index less mortgage interest payments, into the lower part of the 1-4 per cent target range by the end of this parliament. To achieve this, policy will have to keep bearing down on inflation. Although this week's news on prices was better than expected, underlying inflation has yet to fall below the 2.5 per cent mid-point of the range.

In resisting pressure for rate cuts in recent days, Mr Clarke made clear he is not a man to be blown off course. The only problem is that it remains unclear where that course is to be.

watching the reactions of a different set of savers - those in work. As the tax increases kick in, it hopes consumers will absorb the impact on their incomes by reducing their savings. There is some sign of this already - the savings ratio fell from 11.7 per cent to 10.6 per cent between the second and third quarters of 1993 - but it has a long way to go until it reaches the 5.4 per cent recorded in 1988.

Interest rates on many instant access accounts are now so low that many consumers may decide it is no longer worth saving. But the effects are hard to predict: some people may still be so concerned about the prospects of unemployment that they continue to build up their nest egg.

Philip Coggan

MAN IN THE NEWS: Viktor Chernomyrdin

Roll over, reformers



methods and demanding a commitment to reform, his way. Mr Chernomyrdin ventured neither apology nor commitment, but did offer him a downgraded job as finance minister. After a few days of stand-off, Mr Fyodorov resigned.

What Mr Chernomyrdin will do with his victory will decide the future of the Russian economy. Few seriously accuse him of being a reactionary, but fewer still would suggest he has metamorphosed into a radical. He gives no indication of the extent to which he has imbibed the need to retain - or to put in place - the tenets of the radicals: in particular a tight credit policy and rapid privatisation. The best bet is that he will continue to regard inflation as the first enemy and will try to tame it. But he will be a periodic victim to the demands of the industrial lobby and may be unable to tread what Mr Alexander Shokhin, the new economy minister, called "the thin corridor between hyperinflation and industrial collapse".

That corridor grows thinner by the day. The fall of the rouble, temporarily stemmed by central bank intervention, showed a market fearful of the loss of those who had striven to limit credit flows; a market with little faith in either Mr Chernomyrdin or Mr Geraschenko to continue the struggle.

Decisions such as that to merge the economic systems of Belarus and Russia (in which Mr Chernomyrdin had a personal role), and to spend \$50bn on a parliament building, are signs of a new confident carelessness with the monetary system. It is not hard to construct a vision of a man pulled further and further into stopgap, anti-inflationary measures - a man forced, as he would see it, to reimpose the price, wage and planning controls to which his instincts would probably guide him. There is a chance that Mr Chernomyrdin will surprise us, but it is as narrow as the corridor down which he must now walk.

The suppression of parliament demonstrated how his power had increased. When Mr Yeltsin announced that he was banning the assembly, it suddenly became a matter of interest what his prime minister would say. His solid sup-

port, coming after a not-too-independent pause, was a reassurance. He had become an independent player. As the reformers sought to build on the president's success in banishing his foes, Mr Chernomyrdin faded a little into the background. Yet he managed still to protect Mr Viktor Geraschenko, the central bank chairman, from being fired, and always to keep a lifeline of credits to the industrial enterprises.

While the election result traumatised the radicals, he, by contrast, calmly began a round of talks with the leaders of all the parties represented in the new parliament. He also gave an interview to *Trud*, the centrist daily, promising an end to economic shock therapy, and began to bargain for a new cabinet.

Mr Chernomyrdin must have been pleased at Mr Gaidar's surrender. Mr Fyodorov was a tough nut, refusing to leave. This week the latter sent a stinging letter to Mr Yeltsin, saying the cabinet was sliding back towards communist

John Lloyd

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FT PROFILE
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PART OF THE FINANCIAL TIMES GROUP

COMPANY NEWS: UK

Midland Independent plans March flotation

By Raymond Snoddy

Midland Independent Newspapers, publisher of the Birmingham Post and Mail and the Coventry Evening Telegraph, has decided on a March Stock Exchange flotation.

The MIN board is believed to have taken the decision yesterday and an announcement is expected next week.

The decision to go ahead with the flotation makes it very likely that Sir Norman Fowler, chairman of the newspaper group, will give up the chairmanship of the Conservative party later this year to concentrate on his business career.

A chairman of a publicly quoted company is unable to be a Cabinet member. Sir Norman has committed himself to MIN for the foreseeable future and he is therefore expected to give up the party chairmanship after the local and European elections.

It is unclear exactly how



Sir Norman Fowler: likely to resign as Tory party chairman

much of the company, taken over from Mr Ralph Ingersoll by a management buy-out team led by Mr Chris Oakley in 1981, is going to be sold but it is likely to be between 30 per cent and 40 per cent.

Since the purchase, for £125m, the company has been expanding throughout the Midlands.

It is unclear exactly how

The flotation should make paper millionaires of the management team of six who organised the buy-out.

The group publishes a total of 31 newspapers and a number of weekly specialist titles and regional magazines. In the six months to June it made operating profits of £7.8m on turnover of £27.7m.

Turnover for the full year will probably top £70m.

MIN has been considering going to the market for some time but was holding off because of uncertainties over the government's attitude to VAT on newspapers.

Setting aside interest charges flowing from the original purchase, MIN has nearly trebled operating profit in the period since Mr Ingersoll sold the business.

The group's four main paid-for titles are the Birmingham Post, the Sunday Mercury, the Birmingham Evening Mail and the Coventry Evening Telegraph.

At the same time, considerable efforts are being made to calm staff fears about the editorial implications of Mirror Group Newspapers taking a substantial minority stake in the group.

The plan being negotiated by a consortium led by the paper's principal founder, Mr Andreas Whittam Smith, envisages MGN taking a 40 per cent stake. The continental investors, El Pals and La Republica, would increase their stake to 31 per cent with the founders holding the remaining block.

The deal would consolidate the position of Mr Whittam Smith who would remain editor-in-chief. To remove fears of editorial interference it is believed that MGN has agreed that it will not vote on either the removal or appointment of editors.

The proposed board structure would also give MGN only two directors out of seven. El Pals would have two directors as would La Republica. The final directorship would go to a founder of the company, almost certainly Mr Whittam Smith.

If a deal is finally agreed with MGN, a proposal will go forward to Thursday's board meeting. Mr Ian Hay Davison, Newspaper Publishing chairman, has made it clear he hopes to be able to put an alternative offer on the table for the future funding of the paper.

Mr Tony O'Reilly's Independent Newspapers group is expected to confirm a bid for up to 29.9 per cent of the company.

The Irish group, which has only tiny newspaper interests in the UK, would probably have less problem getting early agreement from the Monopolies and Mergers Commission than MGN, which already owns three national newspapers in the UK.

Mr Vincent Browne, editor and a minority shareholder of Dublin's Sunday Tribune newspaper, in which Independent Newspapers has a 29.9 per cent stake, has been ousted following a board meeting on Thursday, writes Tim Coone.

No reason was given for his dismissal, which is bad publicity for Mr O'Reilly, but the paper has been suffering from declining circulation and mounting losses.

The company is seeking to sell its Acrokoal drinking water fountain manufacturing

subsidiary. Mr Rusch said that LPA was not equipped to give the company the input required.

"We learned that the refrigeration industry operates very differently to our main core business and that Acrokoal's future would be much better served with a more suitable partner."

Mr Michael Rusch, chairman of this US-quoted company, said demand for general industrial products remained extremely depressed and all group companies experienced reduced sales and pre-tax profits.

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He added that talks were being held with a potential purchaser.

Turnover fell 16 per cent to £5.22m (26.24m).

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WEEK IN THE MARKETS

Aluminium talks fail to lift cloud

Disappointment at the failure of leading aluminium-producing countries to reach agreement on curbing oversupply left the metal's prices at a low ebb on the London Metal Exchange yesterday.

The three months delivery price had risen by nearly \$12 to \$1,217.50 a tonne on Monday in anticipation of the producers' meeting, which was scheduled to run for two days and was widely expected to result in a multilateral agreement to cut world aluminium production by about 10 per cent - 1.5m-2m tonnes. Most of that rise was lost after the talks began in Brussels on Tuesday, however, as a total news blackout left traders groping in the dark.

Further modest losses were

But the optimists were not done. Yesterday morning's announcement that there would be a midday statement sent the price to \$1,218 a tonne, only to fall all the way back to \$1,189 at the close, down \$16.25 on the week, after the announcement simply said that the talks would continue, possibly over the weekend. Further negotiations will have to be conducted by telephone and fax, however, as most of the delegates, including the Russians, have gone home.

Disappointment with the Brussels talks cast a shadow over other LME contracts yesterday, but copper and lead still ended the week with substantial gains.

Copper's early strength seemed to be entirely due to speculative activity, traders said, but lead benefitted towards the end of the week from reports of increased replacement car battery demand in the US as a result of the recent extreme cold in the eastern half of the country.

At the London bullion market the gold market held its own until taking a jumbo yesterday. Chart-inspired selling helped to push the price down to \$388.25 a troy ounce yesterday off \$397.05 on the day and \$475 on the week. Dealers dismissed any link between the weakness of gold in London and New York with a television programme claiming that 1,240 tonnes of gold had been stored by Ferdinand Marcos, the late Philippines' dictator, in Switzerland.

"The market was lethargic and had been all week. It wanted to go down and needed an excuse," one analyst told the Reuter news agency. "This goes blown out of all proportion."

At the London Commodity Exchange coffee was a big loser in midweek, when the March futures position fell to \$1,183 a tonne at one stage. But it staged a partial rally on Thursday following Brazil's announcement that it would roll-over producer debts, against which it is holding coffee as collateral, removing the immediate threat of that coffee reaching the open market.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest price	Change on week	Year ago	1993/1994
Gold per troy oz	\$395.25	-4.75	\$323.25	\$405.75
Silver per troy oz	344.80p	+3.50	244.50p	362.50p
Aluminium 99.7% (each)	111.72	-16.0	119.95	104.00
Copper Grade A (each)	12.00	-0.20	12.20	11.80
Lead	7.50	-0.05	7.50	7.50
Nickel (each)	52.94	-0.20	52.94	52.74
Platinum	+15.70	-0.05	17.50	17.50
Tin (each)	117.25	-0.25	121.75	117.25

Per tonne unless otherwise stated. p troy penny. c cents lb x 1,000.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Coupon	Red	Price	Price change	Yield	Week ago	Month ago
8.800		100.700	+0.10	8.52	8.52	8.62
7.250		104.04	-0.05	7.05	7.05	7.05
7.000		120.00	-2.00	6.40	5.47	5.73
7.000	STAN	107.5700	-0.450	6.03	5.82	5.22
6.750	CAT	107.5700	-0.450	6.03	5.82	5.22
6.750		107.5700	-0.450	6.03	5.82	5.22
6.500		107.5700	-0.450	6.03	5.82	5.22
6.250		107.5700	-0.450	6.03	5.82	5.22
6.000		107.5700	-0.450	6.03	5.82	5.22
5.750		107.5700	-0.450	6.03	5.82	5.22
5.500		107.5700	-0.450	6.03	5.82	5.22
5.250		107.5700	-0.450	6.03	5.82	5.22
5.000		107.5700	-0.450	6.03	5.82	5.22
4.750		107.5700	-0.450	6.03	5.82	5.22
4.500		107.5700	-0.450	6.03	5.82	5.22
4.250		107.5700	-0.450	6.03	5.82	5.22
4.000		107.5700	-0.450	6.03	5.82	5.22
3.750		107.5700	-0.450	6.03	5.82	5.22
3.500		107.5700	-0.450	6.03	5.82	5.22
3.250		107.5700	-0.450	6.03	5.82	5.22
3.000		107.5700	-0.450	6.03	5.82	5.22
2.750		107.5700	-0.450	6.03	5.82	5.22
2.500		107.5700	-0.450	6.03	5.82	5.22
2.250		107.5700	-0.450	6.03	5.82	5.22
2.000		107.5700	-0.450	6.03	5.82	5.22
1.750		107.5700	-0.450	6.03	5.82	5.22
1.500		107.5700	-0.450	6.03	5.82	5.22
1.250		107.5700	-0.450	6.03	5.82	5.22
1.000		107.5700	-0.450	6.03	5.82	5.22
750		107.5700	-0.450	6.03	5.82	5.22
500		107.5700	-0.450	6.03	5.82	5.22
250		107.5700	-0.450	6.03	5.82	5.22
100		107.5700	-0.450	6.03	5.82	5.22
50		107.5700	-0.450	6.03	5.82	5.22
25		107.5700	-0.450	6.03	5.82	5.22
10		107.5700	-0.450	6.03	5.82	5.22
5		107.5700	-0.450	6.03	5.82	5.22
2		107.5700	-0.450	6.03	5.82	5.22
1		107.5700	-0.450	6.03	5.82	5.22
0.5		107.5700	-0.450	6.03	5.82	5.22
0.25		107.5700	-0.450	6.03	5.82	5.22
0.125		107.5700	-0.450	6.03	5.82	5.22
0.0625		107.5700	-0.450	6.03	5.82	5.22
0.03125		107.5700	-0.450	6.03	5.82	5.22
0.015625		107.5700	-0.450	6.03	5.82	5.22
0.0078125		107.5700	-0.450	6.03	5.82	5.22
0.00390625		107.5700	-0.450	6.03	5.82	5.22
0.001953125		107.5700	-0.450	6.03	5.82	5.22
0.0009765625		107.5700	-0.450	6.03	5.82	5.22
0.00048828125		107.5700	-0.450	6.03	5.82	5.22
0.000244140625		107.5700	-0.450	6.03	5.82	5.22
0.0001220703125		107.5700	-0.450	6.03	5.82	5.22
0.00006103515625		107.5700	-0.450	6.03	5.82	5.22
0.000030517578125		107.5700	-0.450	6.03	5.82	5.22
0.0000152587890625		107.5700	-0.450	6.03	5.82	5.22
0.00000762939453125		107.5700	-0.450	6.03	5.82	5.22
0.000003814697265625		107.5700	-0.450	6.03	5.82	5.22
0.0000019073326328125		107.5700	-0.450	6.03	5.82	5.22
0.00000095366631640625		107.5700	-0.450	6.03	5.82	5.22
0.000000476833158203125		107.5700	-0.450	6.03	5.82	5.22
0.0000002384165791015625		107.5700	-0.450	6.03	5.82	5.22
0.00000012020828950078125		107.5700	-0.450	6.03	5.82	5.22
0.000000060104144750390625		107.5700	-0.450	6.03	5.82	5.22
0.0000000300520723751953125		107.5700	-0.450	6.03	5.82	5.22
0.00000001502603618759765625		107.5700	-0.450	6.03	5.82	5.22
0.000000007513018093798828125		107.5700	-0.450	6.03	5.82	5.22
0.0000000037565090468944140625		107.5700	-0.450	6.03	5.82	5.22
0.00000000187825452344720703125		107.5700	-0.450	6.03	5.82	5.22
0.0000000009391272617236035625		107.5700	-0.450	6.03	5.82	5.22
0.00000000047456363086180178125		107.5700	-0.450	6.03	5.82	5.22
0.000000000237281815430900890625		107.5700	-0.450	6.03	5.82	5.22
0.0000000001206409077154504453125		107.5700	-0.450	6.03	5.82	5.22
0.00000000006032045385772522215625		107.5700	-0.450	6.03	5.82	5.22
0.000000000030160221778862611078125		107.5700	-0.450	6.03	5.82	

INSURANCES											
AXA Equity & Law Life Assurance											
American Sun Life, High Wycombe											
Anita Fund 5											
Anita Fund 6											
Anita Fund 7											
Anita Fund 8											
Anita Fund 9											
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Anita Fund 67											
Anita Fund 68											
Anita Fund 69											

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

THE JOURNAL OF CLIMATE

LONDON SHARE SERVICE

BAND

BUILDING MTS. & MERCHANTS - Cont.

Notes	Price	+ or	1993/94	Mat	Mat	+	P/E	
ABF Ambo R.	229.0	-	High	Cap 650	4.6	12.7	Taste Palma	
ANZ AS	247.2	-	High	218.4	4.6	12.7	Tutor	
Ashley National	7.0	+/-	High	224.1	13.0	3.7	Unisup	
Aut B E - 81.0	303	-	High	224	45.5	2.9	Waterhouse	
Bell B	69.2	-	High	314	129.6	14.4	Wheats	
Bell B	682.4	-	High	70	28	167.9	6.1	Wheats
Bell B Viz Pta	514.5	-	High	844	415	15.975	17	Wheats
Bell Pta	528.2	-	High	217.7	210.4	3.285	36	6.6
Bank Lonsd (UK)	575	-	High	158	224.1	3.325	44	11.4
Br Ireland E - 40.0	513	-	High	375	325	2.85	5.7	Wheats
Bank Scotland E - 41.0	238	-	High	319	177	1.475	40	23.1
Ban Pf	149.2	-	High	249.1	116.1	2.770	25	32.3
Ban Pf	147.1	-	High	147.1	117.4	2.770	32	Wheats
Bardage	821	-	High	652	362	16.978	43	Wheats
Bar Ioh Kas Y	511.5	-	High	151.1	81.1	36.767	25	Wheats
Deutsche CM	307.0	-	High	324.9	250.0	2.500	15	Wheats
Espana Santo	225.2	-	High	221	151.4	2.500	22	Wheats
Fest Nat Fin	1	-	High	38	45	14.86	13	Wheats
6.3pc Cr Pf	888.2	-	High	91	51	5.92	25	Wheats
Tec Cr Pf	1088.2	-	High	187.1	105	7.05	53	Wheats
Fab Bens Y	226.1	-	High	186.1	76.8	37.975	34	Wheats
HSBC HK	1003	-	High	1007	474	17.570	25	Wheats
HSBC (750 Stks)	150	-	High	930	430	8.170	23	Wheats
LineC	585	-	High	850	492	8.520	17	Wheats
Mitsubishi Y	217.4	-	High	219.1	151.1	51.697	25	Cambridge to 5
Mits Ts & Br Y	815	-	High	1012.1	462.1	10.613	0.6	Cambridge
Mits Ts & Br Y	851	-	High	852	374	7.851	0.8	Cambridge
Mat Anz AS	591	-	High	581	322	7.939	19	Cambridge
MatWest	605	-	High	634	339	10.055	27	Cambridge
Ottoman PFT	531	-	High	521	221	15.510	4.8	Croats
Ryl Bk Scotland (440)	482.0	-	High	470	207	3.700	10	Deafex
Sakura Y	59.1	-	High	211	151.1	30.957	31	European Colour
Santana Y	131.0	-	High	518	57.1	3.000	5.6	Gordon Lydd
Standard Chartered	136.0	-	High	1368	57.1	3.000	0.4	Karsons
Santander Y	212.0	-	High	216.1	227.1	5.000	1.9	7.0% Pf
Santander Ts Y	76.0	-	High	967.1	472.1	9.164	0.6	7.2% Pf
TSB (UK)	288	-	High	291	145.1	4.371	2.6	Hicksons
Total Y	271	-	High	282	24.1	14.453	67	Hochster DM
Tayo Ts & Br Y	68.1	-	High	840	411	5.925	0.8	Holiday Chemical
Westpac AS	226.0	-	High	222.1	211	3.427	2.4	IC
Yasuda Ts Br Y	483.1	-	High	680	343	5.440	1.0	Kalon

BREWERIES

Notes	Price	+/-	1953/54	1954/55	1955/56	1956/57	%/E
Ascol Higgs	91 ²	+1 ²	162 ²	41 ²	338 ²	42 ²	Plasman
Bass	666 ²	+1 ²	647 ²	41 ²	573 ²	42 ²	Power
Boddington	272		259 ²	189 ²	328 ²	162 ²	Wendle Storres
Burtonwood	1568 ²	+1 ²	153 ²	139 ²	387 ²	158 ²	Wicksteed
Eldridge, Pope A.	1718 ²	+1 ²	161 ²	75 ²	313 ²	155 ²	Yorkshire
Fosters	642 ²	+1 ²	702 ²	50 ²	2,673 ²	28 ²	Yule Catto
Foster, Stone	347 ²	+1 ²	459 ²	338 ²	632 ²	187 ²	
Gibbs Mew	393 ²	+1 ²	403 ²	148 ²	223 ²	193 ²	
Greene King	849 ²	+1 ²	511 ²	347 ²	1,014 ²	167 ²	
Greveson Fins	569 ²	+1 ²	584 ²	78 ²	115 ²	17 ²	
Hallin	628 ²	+1 ²	748 ²	75 ²	755 ²	159 ²	
Holt J.	3150 ²	+1 ²	3180 ²	20 ²	948 ²	205 ²	
For Hoskyns Brewery Sale	Hallen						ABU Lets
Kris Y	7174 ²	+4 ²					Adam & Honey
Mansfield	112 ²	+1 ²					American Lakes
Marston, Thorne, Tad.	235 ²	+1 ²					Alexanders
Morland	5438 ²	+10 ²					Appliyard
Regent Inns	104 ²	+1 ²					Ass Br Eng
Scott & New	311 ²	+1 ²					BSS
United Brewers	84 ²	+1 ²					Bearning Power
Vaux	242 ²	+1 ²					Benn & Flain
Wetherop (L.D.J.)	362 ²	+1 ²					Bletchley
Whitbread	770 ²	+1 ²					Bogard A
Wohr & Dorothy	807 ²	+1 ²					Bogard G
Young A	825 ²	+1 ²					Boscombe
W.M.	493 ²	+1 ²					Brammer
							Bridgeman
							Brown & Tawse
							Brown & Tawse S

BUILDING & CONSTRUCTION

BUILDING MATS, & MERCHANTS

Notes	Price	+/-	1993/94	94/95	95/96	+/-
Albrights	27.00	+/-	100.00	100.00	144.00	+44.00
Alumec	24.00	+/-	207.00	200.00	204.00	+2.00
Amberley	24.00	+/-	43.00	43.00	33.00	-10.00
Anglian Gas	9.00	+/-	248.00	137.00	21.00	-115.00
Ashey	11.00	+/-	25.00	25.00	21.00	-5.00
8 Up Nat Gas P.	9.00	+/-	191.00	73.00	6.00	-185.00
Astrea	10.00	+/-	180.00	88.00	124.00	+36.00
BPE	15.00	+/-	365.00	176.00	45.00	-310.00
Baggeridge	12.00	+/-	121.00	87.00	45.00	-76.00
Barrow	51.00	+/-	1.00	1.00	2.00	+1.00
Beckleys	15.00	+/-	367.00	35.00	2,646.00	+2,280.00
Blue Circle	5.00	+/-	202.00	129.00	206.00	+77.00
Broadstone	20.00	+/-	1.00	1.00	1.00	+0.00
Brixton	10.00	+/-	1.00	1.00	1.00	+0.00
Brixton Dredging	12.00	+/-	136.00	92.00	23.00	-100.00
CRH G	11.00	+/-	1.00	1.00	1.00	+0.00
CSR AS	25.00	+/-	1.00	1.00	1.00	+0.00
Cakebread Rec A.	35.00	+/-	1.00	1.00	2,261.00	+2,260.00
Cape	1.00	+/-	41.00	18.00	2.00	-39.00
Carlton	5.00	+/-	216.00	214.00	1,036.00	+920.00
Carver	44.00	+/-	215.00	92.00	2,083.00	+1,886.00
7 Up Cr P	21.00	+/-	1.00	1.00	1.00	+0.00
Catcliffe	8.00	+/-	1.00	1.00	1.00	+0.00
Chadron	4.00	+/-	1.00	1.00	1.00	+0.00
Dyson (U & J)	11.00	+/-	1.00	1.00	1.00	+0.00
Eros	2.00	+/-	1.00	1.00	1.00	+0.00
Espin	2.00	+/-	1.00	1.00	1.00	+0.00
Erth	1.00	+/-	1.00	1.00	1.00	+0.00
Exmouth L/V	1.00	+/-	1.00	1.00	1.00	+0.00
Freeman	2.00	+/-	1.00	1.00	1.00	+0.00
Gibbs & Dandy A	3.00	+/-	244.00	97.00	4.00	-237.00
Griffon E	1.00	+/-	257.00	211.00	102.00	-155.00
Halsall (L)	1.00	+/-	351.00	259.00	120.00	-231.00
Health (S)	1.00	+/-	110.00	73.00	8.00	-99.00
Holton E	1.00	+/-	68.00	29.00	16.00	-43.00
Hopeworth	1.00	+/-	1.00	1.00	1.00	+0.00
Hopeton	1.00	+/-	225.00	173.00	1,029.00	+854.00
Horn	1.00	+/-	1.00	1.00	1.00	+0.00
Hospital Men	1.00	+/-	1.00	1.00	1.00	+0.00
H P	1.00	+/-	1.00	1.00	1.00	+0.00
Hockstock Johnsons	1.00	+/-	167.00	82.00	1.00	-166.00
Warrants	1.00	+/-	1.00	1.00	1.00	+0.00
Johnson	1.00	+/-	1.00	1.00	1.00	+0.00
Knippen E	1.00	+/-	116.00	77.00	10.00	-109.00
Lakehead - Capp P	1.00	+/-	211.00	104.00	1.00	-209.00
Loffton (J)	1.00	+/-	163.00	135.00	22.00	-131.00
Lowell	5.00	+/-	143.00	104.00	8.00	-135.00
99 Cr P	1.00	+/-	204.00	131.00	50.00	-153.00
May	1.00	+/-	213.00	121.00	25.00	-178.00
Marshall	1.00	+/-	1.00	1.00	1.00	+0.00
Mid Gp Cr P	1.00	+/-	1.00	1.00	1.00	+0.00
Meyer	1.00	+/-	1.00	1.00	1.00	+0.00
Moeller	1.00	+/-	1.00	1.00	1.00	+0.00
Lowman - Tools A	1.00	+/-	193.00	157.00	40.00	-146.00
Porters	1.00	+/-	200.00	145.00	10.00	-189.00
Reinick	1.00	+/-	1.00	1.00	1.00	+0.00
Washington	8.00	+/-	1,060.00	1,060.00	1,060.00	+0.00
Warrants	1.00	+/-	924.00	924.00	924.00	+0.00
Uppity	1.00	+/-	1.00	1.00	1.00	+0.00
Wolfford	1.00	+/-	1.00	1.00	1.00	+0.00
MC	1.00	+/-	1.00	1.00	1.00	+0.00
James	1.00	+/-	167.00	107.00	5.00	-152.00
Refined	1.00	+/-	822.00	555.00	2,113.00	+1,558.00
Rockol	1.00	+/-	73.00	18.00	6.00	-59.00
Insupr	1.00	+/-	1.00	1.00	1.00	+0.00
Subsidized	1.00	+/-	1.00	1.00	1.00	+0.00
Supply	1.00	+/-	22.00	10.00	1.00	-11.00
Stall (A)	1.00	+/-	165.00	100.00	84.00	-81.00
Stobart (A)	1.00	+/-	222.00	271.00	1,000.00	+729.00
Stobart (F)	1.00	+/-	75.00	43.00	7.00	-30.00
WRP	1.00	+/-	182.00	135.00	5.00	-62.00
Wright & Fisher	1.00	+/-	165.00	88.00	24.00	-83.00
Wren (A)	1.00	+/-	68.00	36.00	6.00	-32.00
Wrightfield Insula	1.00	+/-	267.00	262.00	167.00	+100.00
Wrigg Barn	1.00	+/-	72.00	45.00	25.00	-22.00
Yarrow	1.00	+/-	202.00	145.00	7.00	-118.00
Yarrow	1.00	+/-	21,281.00	214.00	20.00	-21,071.00
Notes	Price	+/-	1993/94	94/95	95/96	+/-

ELECTRONIC ■ ELECTRICAL EOPT - Con

ENGINEERING, VEHICLES - Cont.

ENGINEERING

FOOD MANUFACTURERS											
Notes	Price	+ or -	1983/84	Mid	Ytd	PE	Notes	Price	+ or -	1983/84	Mid
Morgan Crucible	100	100	100	100	100	100	Acadis & Hutch	368	+5	High	120.5
7.25p Cr Rd Pf	100	100	100	100	100	100	Albert Fisher	71	-5	Low	43.0
Morris Ashby	100	100	100	100	100	100	Associated Bisc Foods	57.0	+5	Mid	26.0
Neasey	100	100	100	100	100	100	Associated E	100	+5	High	12.0
Neatone	100	100	100	100	100	100	BSN Pft	210.0	+5	Mid	11.0
Newmark (L)	100	100	100	100	100	100	Bunions E	184	+5	High	12.5
Oil Ind	100	100	100	100	100	100	Butter (SC)	47.0	+5	Mid	2.0
Optometrics	100	100	100	100	100	100	Carr (AG)	261	+5	High	11.0
Oxford Inst	100	100	100	100	100	100	Beacons Crisps	67	+5	Mid	1.0
Powerscreen	100	100	100	100	100	100	Booher	141	+5	High	12.4
Process Sys S	100	100	100	100	100	100	Bordfords Indi & Agri	472	+5	Mid	4.0
Prospect Inds	100	100	100	100	100	100	Bosch	120	+5	High	1.0
Protean	100	100	100	100	100	100	Boss Wessman	214.0	+5	Mid	1.0
Quasimatic	100	100	100	100	100	100	Borthwick	50.0	+5	High	2.0
Radient Metal	100	100	100	100	100	100	Butterbubs	52	+5	Mid	0.5
Ransomes	100	100	100	100	100	100	Calgary Schwartz	529	+5	High	42.0
8.0p Pft	100	100	100	100	100	100	Canadian Pizza	215	+5	Mid	3.0
Record	100	100	100	100	100	100	Car's Mill	194.0	+5	High	18.0
Resistaw	100	100	100	100	100	100	Caterpillar	182.0	+5	Mid	12.0
Renold	100	100	100	100	100	100	Caven (C) Uts E	252.0	+5	High	21.0
Richards Grp	100	100	100	100	100	100	Delbeck	134	+5	Mid	5.0
Richardson West	100	100	100	100	100	100	Dalyell	530	+5	High	4.7
Rolls-Royce	100	100	100	100	100	100	Darfield (S)	50	+5	Mid	1.5
Rotork	100	100	100	100	100	100	Dove Ind'l	29	+5	Mid	0.8
Robicon	100	100	100	100	100	100	Everest	181	+5	Mid	2.0
Sector	100	100	100	100	100	100	Farnington	222	+5	Mid	12.0
Severne	100	100	100	100	100	100	Finley (A) E	77	+5	Mid	1.5
Stobie	100	100	100	100	100	100	Global	14.0	+5	Mid	0.5
Stimematic	100	100	100	100	100	100	Golden Vale E	16	+5	Mid	0.5
GDO Group	100	100	100	100	100	100	Grand Central	100.0	+5	Mid	21.0
SKF-Skr	100	100	100	100	100	100	Greencore E	51	+5	Mid	1.5
Skoda Inds	100	100	100	100	100	100	Hawthorn	174	+5	Mid	3.0
Spirax-Sarco	100	100	100	100	100	100	Hawthorn	100	+5	Mid	0.5
Starling Inds	100	100	100	100	100	100	Hays A III	76.0	+5	Mid	2.0
Sykes-Pick	100	100	100	100	100	100	Hilco (K) H	100	+5	Mid	1.0
Symonds Eng	100	100	100	100	100	100	Hilco Group A	153	+5	Mid	0.5
TII Group	100	100	100	100	100	100	Hilco Group B	100	+5	Mid	0.5
Tet	100	100	100	100	100	100	Hilco Group C	100	+5	Mid	0.5
Thyssen DM	100	100	100	100	100	100	Hilco Group D	100	+5	Mid	0.5
Threy (Esko)	100	100	100	100	100	100	Hilco Group E	100	+5	Mid	0.5
Transpac	100	100	100	100	100	100	Hilco Group F	100	+5	Mid	0.5
Triplex Lloyd	100	100	100	100	100	100	Hilco Group G	100	+5	Mid	0.5
Turkyns	100	100	100	100	100	100	Hilco Group H	100	+5	Mid	0.5
UNESCO	100	100	100	100	100	100	Hilco Group I	100	+5	Mid	0.5
UDI Industries	100	100	100	100	100	100	Hilco Group J	100	+5	Mid	0.5
VSEI	100	100	100	100	100	100	Hilco Group K	100	+5	Mid	0.5
Versen Ind	100	100	100	100	100	100	Hilco Group L	100	+5	Mid	0.5
Vickers	100	100	100	100	100	100	Hilco Group M	100	+5	Mid	0.5
Victronic	100	100	100	100	100	100	Hilco Group N	100	+5	Mid	0.5
Vinco	100	100	100	100	100	100	Hilco Group O	100	+5	Mid	0.5
Worx Energy Sys	100	100	100	100	100	100	Hilco Group P	100	+5	Mid	0.5
Weser Therm	100	100	100	100	100	100	Hilco Group Q	100	+5	Mid	0.5
Wheaton Inds	100	100	100	100	100	100	Hilco Group R	100	+5	Mid	0.5
7.25p Cr Pft	100	100	100	100	100	100	Hilco Group S	100	+5	Mid	0.5
Wile	100	100	100	100	100	100	Hilco Group T	100	+5	Mid	0.5
Wilmann	100	100	100	100	100	100	Hilco Group U	100	+5	Mid	0.5
Wesco	100	100	100	100	100	100	Hilco Group V	100	+5	Mid	0.5
Westland	100	100	100	100	100	100	Hilco Group W	100	+5	Mid	0.5
Whitstone	100	100	100	100	100	100	Hilco Group X	100	+5	Mid	0.5
Wressco	100	100	100	100	100	100	Hilco Group Y	100	+5	Mid	0.5
Wibers (A)	100	100	100	100	100	100	Hilco Group Z	100	+5	Mid	0.5
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HEALTH CARE

INVESTMENT TRUSTS - Cont.

Trust U.S. 100 25
Wisconsin 24

Ring Secs. Em. Mids. 944% 11 11

Weekend FT

SECTION II

Weekend January 22/January 23 1994



Peasants!

I since I first the Chauvin in the hills Provence, was on occasion, a country Christian which I neither entirely willingly, nor in ease - by my French wife-to-be so that she might present family. I was impressed, but intimidated, by the gathering. Here, at a long farm table in a room filled with four generations of Chauvins, in a world in which I wholly alien.

The room alone was exotic enough. There were signs of wild boar shot in the hills outside the house; baby quails - still complete with tiny beaks and legs - were baked in the oven; a rabbit stuffed with truffles, snuffed out of a much-prized family dog. To this was all splendid, outlandish and totally new.

Even more exotic than the food, however, were the guests: them, uncles, Gauloise-smoking grandfathers, perfume-sipping nieces, people, I thought, were positively tribal between the and so family was present, there a communing, a sense of sharing through the blood which nothing of the Anglo-Saxon in warmth and demonstrativeness.

The Chauvins were also, I thought, politically. I was socialised with them before. Here, though, was a dining room full of militant leftists and card-carrying communists munching Christmas cake as happily as they could.

There was, however, something

completely for me. I simply supply their daily working lives. For the Chauvins, they told proudly, were peasants.

In England, this belongs to an earlier, feudal era in France, where urban people have to look back more than a generation to find roots deep in the countryside. Here, in the little river Dôa in the Provencal country, nothing at all separated the Chauvins from their past: they are as much a part of the soil as physically and emotionally as their ancestors 400 years before. It was this sense of belonging, this deep tradition, that impressed me.

We all have an image of the peasant in our minds. In his tacky form, he is cycling down the road, a beret on his head and a string of onions on his handbag. There are variations. Sometimes, he is sly, calculating and miserly. At other times, he is cheerful, loquacious and sociable. Even when he has nothing at all to say, he will do so by pushing his lips forward and giving a small shrug.

Lately, though, the image has changed and the French peasant has stopped entertaining us. He is no longer the amusing character with life.

Les paysans Français - keepers of the countryside wearing berets and striped jerseys? Or straw-burning troublemakers who stand in the way of progress? Nicholas Woodsworth uses his family ties to investigate a threatened way of life

from *A Year in Provence* is a backward-looking reactionary who has tried to block economic progress for the rest of us. In an effort to retain subsidies and state protection for our outmoded way of life, he has set straw alight on the Dôa long ago, I returned to the for myself how an peasant family in modern Europe were getting along together...

Later, I moved from France and back to the UK. But through the family connection I found the satisfaction was fast disappearing and I sometimes found myself on the Dôa in the flinty hills and valleys that eventually rise to become the Alps. Smallhold farming is an altogether more precarious affair.

Nonetheless, in the Dôa valley outside the market town of Apt, Jean brought up four florid and brawny each of whom in began farming there. One still survives. With his wife Marthe, she lives at Les Gauds, a tiny family hamlet of stone houses perched on the valley-side.

Aimé Chauvin is not as active as he used to be a few years ago, an accident with a rototiller left him with one leg. But, at 81, he still gets

around in a Citroën with a hand-operated clutch; and, when visitors ask him, he still recall life at Les Gauds before any machines made appearance there.

Together, we sat at the dining table and Tante Marthe poured me a small glass of home-made walnut wine to take the chill off the winter's day. To most people the bare, tiled floors and simple furniture at Les Gauds would appear spartan. But, said Tante Marthe, compared with the pre-war years, she and Aimé live like kings.

Until there was no electricity in the valley and evenings were spent in lamp-light. The was outdoors, well for water and the stone basin for washing clothes. The shops in Apt were an hour's walk away - and too expensive to much, anyway. Marthe grew, raised or made most of what they lived on right there - vegetables, pigs, chickens, olives, wine and goat cheese all tended by her busy hands. Ready money for other daily necessities came from herd of sheep she kept. Horses to plough the wheat did not disappear until the early when Aimé bought his first tractor.

Like the hands of all elderly peasants, Marthe's were battered and worn; in the name of her working life, was there much time for herself. Nor there money.

Politics of survival

at *Le Marronier*

A kilometre down the road, a house under a broad chestnut tree, another of Jean's sons set to tilling the earth in only

Page VIII

CONTENTS	
Family Finance	: What sort of mortgage is best for you
Food	: A meal in the restaurant that Hitler built
Travel	: Egypt - the land the tourists forgot
Sport	: Sailing neck and neck around the world
Books	: Mr Kipling wrote exceedingly good poems
Arts	: Martin Scorsese shows his romantic side



The high rollers are betting heavily on a desert fantasy land Page XI

Arts Books	XIX
Bridge, Chess, Crossword	XXI
Fashion	XXIV
Finance & Family	XXV
Food & Drink	XXVI
Gardening	XXVII
How To Spend It	XXVIII
Motorists	XXIX
James Mergers	XXV
Motoring	XXVI
Private View	XXVII
Property	XXVIII
Sport	XXIX
Michael Thompson-Neal	XXVII
TV & Radio	XXVIII

The Long View/Barry Riley

Profits take the lead



It can you giddy. There have been big structural shifts in the London equity market recently, with big blue chips racing the Christies. For instance, the middle-sized are producing a spectacular this year. With share prices up 50 per cent, the market has reached dizzy heights there is a desperate going on value that might justify appreciation.

The underlying theory is that at a certain point in a bull market the main driving force ceases to be the push from excess liquidity and begins to be the pull from profits growth. Although profits have risen for a year or so now - the market's expectation is that earnings per share for 1993 will have shown growth on average, against zero for 1992 - it is primarily the fall in interest rates that has generated the higher earnings.

That this is still the case was shown by the market's economically perverse reaction on Wednesday to the news that December retail sales were supposedly lower than in November. The mind that peculiar seasonal adjustments probably make the official Yuletide retail sales almost meaningless. The stock market reacted to the idea that such activity would encourage the government in an early interest rate cut. If this was the impact on company profits would presumably be negative - but about this market appeared to care not jot.

In the early part of a bull market, the sectors such as financials, property and construction tend to lead. Somewhat later, consumer goods show well and then, late in the cycle, capital goods are likely to be led by rising physical output bounces against capacity.

Recently many have been captured by the theme of rising commodity prices in global

gathers pace: hence, for instance, the of Mercury Asset Management's World Mining Trust in pulling when launched last month.

It is how great a scope in some for companies to achieve significantly higher profits? Although in some parts of the world companies are suffering severely from the recession - in Germany, for instance, and especially in Japan - the companies weathered the last economic downturn relatively well. According to the national the profits of industrial and commercial companies had already risen by 14.3 per cent share of national income by the third quarter of 1992, making a sharp bounce back from a low point of about 11.5 per cent.

Analysts are projecting further earnings per share gains of about 10 per cent in 1993 and 13 per cent in 1994. The interesting point is that, with much lower expectations for the growth of earnings of employees, and unlikely to rise very substantially the next year or two.

If the City analysts are right the share of profits in income is set to rise to around 16 per cent in 1993 and perhaps 17 per cent in 1994 - well ahead of the 11 per cent reached at the peak of the last cycle, in 1973. Part of the explanation may be the impact of the hugely profit-driven privatised utilities which have progressively expanded the company sector since the early 1980s (they account for about 22 per cent of the earnings of All-Share constituents). But there is also implication of a shift in economic power from labour to

It is mentioning the importance of raw material input costs, which have recently exceptionally low - oil price, for instance, in terms to where it was before the first oil shock in the early 1970s. Those who are piling into commodity shares to exploit the signs of an upturn in commodity price indices ought also to think of the possible impact of raw material price on corporate profits elsewhere.

In tricky conditions you may perform a few gyrations to find your way to the sectors where the best of these profits are going to be earned.

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Newton

MARKETS

London

Bulls take a run on the middle range

By Roderick Oram

Even when London record levels, the 135.5 point jump in the FT-SE Mid 250 index on Wednesday was the stuff of bull market legends, replete with tales of terrible squeezes and buying programmes.

Lacking such drama, in the broad market could not muster much economic justification. Ken Lawton squelched hopes of an early market cut by invoking the spectre of inflationary Chancellor's part. "Nigel Lawson... would be looking back that he had already reduced them as much as he can in public pressure and in the market on

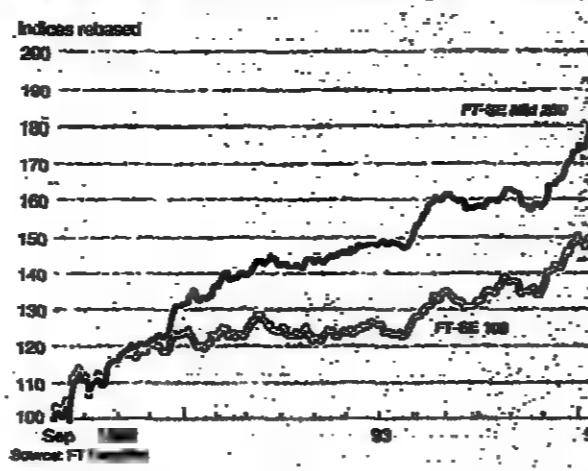
The FT-SE 100 points at 3,494.2 a gain of 3.484.2 and a gain of the year. More impressively, though, the FT-SE 100 was up 8.3 per cent year-to-date, closing up 190

points at 4,105.8. The index, which captures the largest companies below the top-tier 100, has been outperforming the Footsie as the UK economic recovery. Judging by the week, they believe it will be a while.

The day the UK left the ERM in September, 1992, shares began their long run up. The chart shows the two indices in the last year. For a few months but by the beginning of the year, the Footsie began to pull away. This month, it has moved ahead. Investors in the Footsie have outperformed the FT-SE 100 by 10.6bn all of

The vault on Wednesday, when non-Footsie advanced by a hefty 70 per cent of the day's trading volume, was the largest one-day gain since

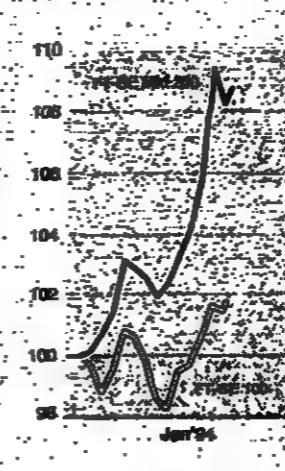
Middle market shows a clean pair of heels to the Footsie



points had using Matrix data eight years. Technical factors, particularly a market shortage, were at play. One Swiss-based house was said to be caught out trying to amass enough shares to underpin a warrant on the Mid 250.

Illiquidity is a problem. The market capitalisation of the 100 index is £70bn, an average of £5,700 per company. Even so, investors can be frustrated trying to buy or sell the bottom 20 or so Footsie stocks in quantity. The Mid 250 has a market cap of £17bn, an average of £700m per company. The smallest is Amstrad at £225m. Not only is stock hard to come by, but investors tend to buy for the longer term.

"You have to work as hard to put half a million pounds into a 250 stock as, say, £20m into BT," says Mike Bishop, a director of Garntmore, the fund manager.



But do not be dazzled by the Footsie. "There are investment trends here that the illiquidity masks," says Robert Buckley, UK equity strategist at NatWest Securities.

Investors are buying the stocks for their UK exposure. The general manufacturers sector, for example, including contractors, building material suppliers, engineers and other highly cyclical stocks, account for 32 per cent of the Mid 250 against only 14 per cent for the Footsie. Electricity and water stocks, favoured for their dividend growth, account for 11.2 per cent against only 5.1 per cent.

Many of the constituents also offer better exposure than big stocks to currency and interest factors, argues Paul Walton, equity market strategist at James Capel. "If the major exporters lose out from weak European markets and a strengthening pound than domestic stocks - typically smaller cap - are better placed and moreover should benefit from any subsequent interest rate cut."

He forecasts that the Mid 250 and FT-SE Small Cap indexes, the latter covering the bottom chunk of the All Share Index, will outperform the Footsie by 15 per cent and 25 per cent respectively this year.

One might, however, draw a note of caution from a longer perspective. From the end of 1985 to the end of 1992, the Mid 250 outperformed the Footsie by about 26 per cent. By its subsequent trough, in September, 1992, it had underperformed by about 9 per cent. Thanks to this week's gains, the index is now about two-thirds the way back towards its peak outperformance.

Serious Money

Meeting a need for income

Scheherazade Daneshkhah

Security and the desire for income are uppermost in many investors' minds. After years of high inflation and high interest rates which led to easy double-digit returns in the building society, investors are only just beginning to acknowledge that low interest rates are not an aberration but may become the norm.

Fund management groups have been working hard to come up with products to meet the desire for income, and this week the government pitched in with the launch by National Savings of a Pensioners guaranteed income bond which pays monthly income.

Corporate corroboration of the smaller company investment story came with several items of company news during the week. Spring Ram (kitchens and bathrooms), Stanley Leisure (betting shops and casinos) and Crest Nicholson (house builder) capped shareholders for some 280m in rights issues.

Evidence of the potential for smaller companies' growth was also supplied by Garioch, the engineering group. Its pre-tax interim pre-tax profits were up 41 per cent, thanks in part to successful integration of Arthur Lee, the steel maker it bought in June.

The biggest story of the week - the re-jigging of Guinness and LVMH's cross-ownership - hardly fits the mould unless Tony Greener, Guinness's chairman, has a particularly Machiavellian scheme in mind.

The UK group has swapped its 24 per cent stake in the French group for a 34 per cent stake in its Moët Hennessy drinks subsidiary and \$415m in cash.

The new arrangement could come in handy for Guinness if it tried to huff off a nice little drinks business should LVMH's media and fashion adventures cause it grief.

Tesco also conceded that smaller might be perkier. Three years ago, launching a 575m rights issue, it extolled the virtues of its mammoth 72,000 sq ft flagship store. The stock has gone down hill ever since. This week it sharply cut capital spending, then depreciation of land and buildings and talked of building more compact 20,000 sq ft Metro stores. The switch spoke volumes about the suddenly less grandiose visions rampant in the retail food sector.

They can then select a payout capped at 7.5 per cent, which will be paid directly into their bank or building society account on the 15th of each month (choosing the savings plan have to build up to the £2,000 first). The payout can be varied, so investors can choose to reinvest their dividends for capital growth. Charges are an initial 5.25 per cent initial with an annual fee of 1 per cent, compared to 0.5 per cent on the fund itself, because of the extra administration involved.

The Newton unit trust is based on a similar idea. It allows investors to select a regular "distribution" up to 9 per cent which will be paid quarterly. There is a pre-fund at no extra cost beyond the fund's fairly steep 8 per cent initial charge and 1.5 per cent annual fee. The fund will initially have a 55 per cent holding in UK equities, 10 per cent in international equities and a 25 per cent holding of UK and international bonds.

Any fund paying out more than the current yield on the FT-A All-Share of about 3 per cent is going to have to rely on the growth of the market to maintain its original capital. Otherwise, investors will find that their capital is being paid back to them as income - something which they can do for themselves in the building society.

Newton says that it believes it will be able, over a three year rolling period, to replace the value, in real terms, of the capital which is distributed. James Capel says it has fired the 7.5 per cent maximum on the basis of UK equities producing a total return over the past 30 years (1962-92) of 13 per cent per annum.

However, there is no guarantee that equities will perform as well in the future. Indeed, the total return figure for the previous 30 years (1962-92) was 9.5 per cent per annum and it may be lower over the

next 30-year period. If performance is not high enough, the fund managers will have to work very hard to replenish the capital.

How hard they work depends on how much the investor has regularly drawn and on the performance of the market. The schemes work best, as you might expect, when the market is buoyant.

The danger is that if the market falls and investors continue to draw, say 8 per cent, from the Newton fund, they may erode their capital to a point where it cannot be built up to the same level again.

In the early 1970s when yields were low but the stock market was performing strongly, many investors flocked into unit trust withdrawal plans, which allowed investors to take a fixed percentage from the fund. However, the extent of the 1973-74 stock market crash meant that many investors, particularly those who had chosen to make withdrawals of up to 10 per cent, found that the value of their original capital was all but wiped out.

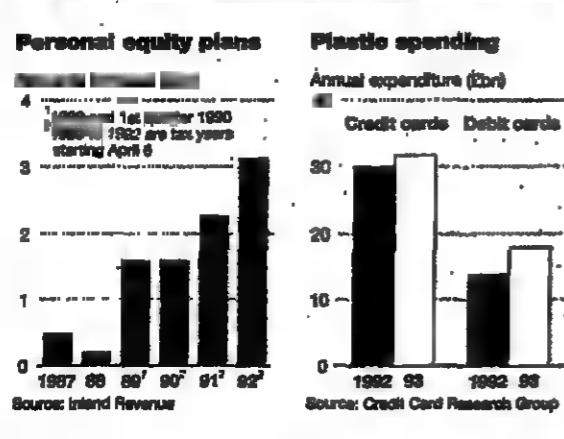
Unlike Hypo F & C's High Income plan, launched last year, which pays out a regular 10 per cent a year, the level of withdrawals in the James Capel and Newton products is left to the investor. This has the advantage of giving him the ability to turn off the income tap when the market underperforms but it also places on him the responsibility to do so. The danger is that if investors becomes dependent on regular withdrawals for their income, they may find it impossible to cut back.

There is nothing inherently wrong with these schemes, and indeed they may be useful in fulfilling many people's needs for income, so long as the investor knows the risks and is happy with the general investment strategy of both funds and with the track record of the managers.

HIGHLIGHTS OF THE WEEK

Price y/day	Change	1992/93	High
FT-SE 100 index	+83.8	3494.2	2737.5
FT-SE Mid 250 index	+105.8	4105.8	3848.5
TV	+170	688	688
Bank of Scotland	+17	238	2401.6
Blue	+32	270	276
GNC	+18%	3821	384
Guinness	+31	601	607
Johnson Matthey	+50	800	806
Kingfisher	-84	668	783
Kleinwort Benson	+30	643	659
RMC	+48	1073	1079
RTZ	+70	883	894
Standard Chartered	+14	1771	1771
Standard Chartered	+182	1360	1368

AT A GLANCE



Personal equity plans increase in popularity

Personal equity plans, which allow individuals to invest shares without paying income or capital gains tax, have become increasingly popular with the introduction of the first Peps in 1987. Some 770,000 new general plans were taken out during the course of the tax year.

Single company Peps, which were introduced on January 1, attracted a total of £540m into 250,000 plans by the end of the 1992-93 tax year.

Pep investment was changed from a calendar year to a tax year from April 1990. The Inland Revenue figures do not reflect withdrawals or growth in plan values.

Card spending up

Debit cards are widely used as a replacement for cheques, according to the Credit Card Research Group, and are used for cheaper purchases than credit cards.

The most popular outlets for the use of debit cards are supermarkets, off licences and petrol stations, while credit card expenditure is more widely spread across the retail sector. Total plastic card spending in the UK was £24.6bn in 1992 up from £23.9bn in 1991.

Barclays charges move

Barclays is to give personal customers advance notice of charges on their bank accounts, although no date has yet been set for the process to start. This gives customers time to query charges before they are imposed, and helps stop people going unintentionally overdrawn because of charges. Barclays has been pre-notifying business customers for some time.

Some other high street banks, including NatWest, already give their customers advance warning of charges, and it is likely to become a requirement under a new banking code of practice.

Leeds cuts card rate

The Leeds building society has cut interest rates on its Visa charity credit card, and is to refund the annual fee for customers who spend more than £1,500 a year.

Customers who have spent more than that over the last year will give £5 of it to charity, in which case they will get £7 back.

Spending more than £1,500 over the year from February will also trigger a rebate. The APR on the card is to be cut from 19.9 per cent to 19.9 per cent from February 1, and balances transferred from other cards will attract a special rate of 14.9 per cent.

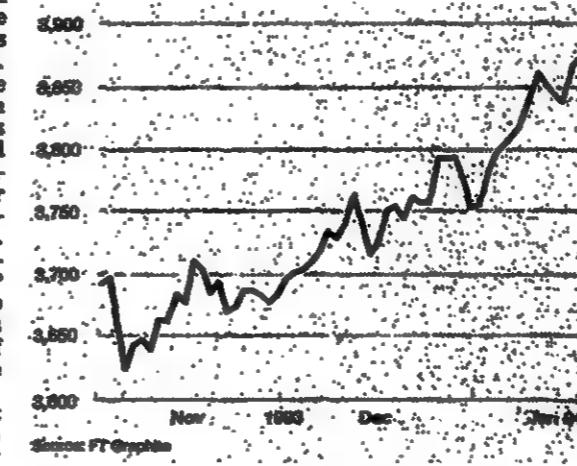
More smaller company cheer

Smaller companies have had an exceptionally good week. The Hoare Govett Smaller Companies Index (capital gains version)

Dow climbs on its cyclicals and reaches peak

Wall Street

Dow Jones Industrial Average



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FINANCE AND THE FAMILY

If the price is right the choice is big

There are more types of mortgage on offer than ever. Scheherazade Daneshku and Bethan Hutton consider their infinite variety

Many prospective house buyers have been bidding time until the end of the year, but agents are hoping that recent in-house price increases will flush buyers into the open.

If you are a new buyer, the mortgage rate is greater than before. There are traditional variable rate loans and fixed-rate loans.

In addition, some lenders have introduced mortgage packages to help borrowers with mortgages quickly than the usual 25-year term.

How to pay back the mortgage

The choices at first seem overwhelming, but all mortgages fall into three basic types: repayment, interest-only, and endowment.

This division is created into two parts: the original capital borrowed and interest.

Repayment mortgages

Your monthly repayments cover both the interest and capital so that at the end of the 25-year term, the whole has been paid off. The main virtue of this type of mortgage is its simplicity, as long as you maintain monthly commitments, the loan is guaranteed to be paid off at the end of the term.

The main virtue is that when you move, you can redeem the mortgage and start from scratch with another loan. Since you will usually be paying more in interest than capital in the early years of the mortgage, you will find that your payments are mostly in interest if you move frequently.

It can be argued that although repayment mortgages are safe, interest-only loans are the borrower

the portion which would be paid off the capital, giving the opportunity to save money over the original loan.

Interest-only mortgages

As the name suggests, your monthly contribution only covers the original sum borrowed. At the end of the 25-years, the onus is on you to pay off the capital in one go. This method obviously has attractions in times of relatively high inflation. In the case of a £24,000, an amount which seems enviable today.

Nevertheless, you cannot leave everything to inflation, particularly in times of low inflation. The mortgage savings can be suggested by an equity-linked endowment, a pension, or personal equity plan.

Endowment mortgages still form most new mortgages, although they have fallen from their peak. They are popular in no part to recommendations by banks and building societies, who commission on their fees.

Your monthly payments cover the interest in the building society and a premium is paid to the endowment, which invests the money in your behalf and also grows in value.

Mortgage-linked endowments usually for a fixed 25-year term. You must continue to maturity to get the full benefit, as you have one, you can't withdraw the capital at any time, although the underlying mortgage may be switched to another lender below).

Personal and pension equity plan-linked mortgages are the "niche" end of the market and are both highly tax-efficient.

However, many do not like the idea of using some of their pension savings to pay off their

mortgage. Pension mortgages are inflexible and benefits cannot be taken until retirement age. This can mean making interest payments for more than 25 years if you are a borrower, which is a needlessly expensive procedure.

PEPs allow you to invest annually in the stock market with income and capital gains tax of tax. However, you are at the mercy of stock market fluctuations.

Some lenders, notably Cheltenham & Gloucester building society, will allow you to take out an interest-only loan without linking it to a specific product and it up to you to invest in capital.

Fixed rates

Mortgage and interest rates at 20-year lows, people are rushing to take out repayments. The Council of Mortgage Lenders

say, three or less, you are exposed to the risk that the fix rate just as interest rates again. But fixed rates of more than 25 years are likely to be higher than the standard variable of 7.64-7.74 per cent.

Reducing the burden

If you are lucky enough to find monthly repayments easily affordable that interest rates low, you will save on interest if you reduce the amount of your original borrowing.

This option becomes attractive as monthly payments become expensive. Mortgage interest relief will be restricted to 25 per cent in the first year and to 15 per cent following the year (table).

Interest rates remain capped at 7.85 per cent, the overpayment of interest is taken into account.

Lump sum repayments

You should talk to your lender about the lump sum repayments.

Effect of interest changes on monthly payments

	Repayments	Interest	Interest
	Now	April 1994	April 1995
30,000	143.25	143.25	143.25
40,000	254.77	274.07	218.47
50,000	415.98	415.98	415.98
60,000	567.68	567.23	471.14
70,000	708.04	728.14	587.47
80,000	1,087.44	1,066.99	825.74

Based on current mortgage rate of 7.64 per cent (excludes endowment premiums). Source: Halifax

in most cases, you will need to repay the capital and instruct the lender to recalculate your monthly interest payments accordingly.

Otherwise, you will incur the cost of a lump sum mortgage or paying a handling or arrangement fee of £200-£300. Try to avoid fixed rates tied to insurance-related products. And there will be early redemption penalties - the fee for early repayment of part or all of the loan.

Choosing a short-term fix of, in most cases, you will need to repay the capital and instruct the lender to recalculate your monthly interest payments accordingly.

It has never been easier to withdraw capital, as they lose interest. However, Yorkshire

is a tiny player in the



market, today launches its Flexible Payment Mortgage which encourages borrowers to step up their repayments, although they drop back to the minimum level if they need to. This minimum payment level is at 15 per cent, the bank's current variable rate is currently 7.85 per cent, the overpayment of interest is taken into account.

Lump sum repayments of little as £25 can be made and interest calculated on a daily basis so that the next payment reflects a lower interest rate. The borrower will also choose on which to make the payments and whether on a weekly, fortnightly or monthly basis.

The for the mortgage is the same as for the bank's standard repayment mortgage.

A small increase in monthly payments can make a huge difference. If you paid the minimum on a £20,000 loan from the bank monthly payments would be £112.15 at 7.85 per cent, the would be £76.34 at the end of the 25 years. But if you paid £112.15 by less than £10 a month, so that monthly payments were £475, you would wipe off the £20,000.

UCB Home Loans has a similar product but charges £25 a month for it. It is simply no longer assigned to the building society. This is only a good idea if you have capital and interest in addition to premiums.

Alternatively, if you have an endowment to deliver, say, £25,000, but you need to borrow £10,000 for your property, you could structure the new mortgage so £50,000 is repayment, and the remaining £10,000 is interest-only, covered by the existing endowment.

Or you could make the whole mortgage interest-only, and then choose whether you want a second endowment or perhaps a PEP to cover the extra £25,000. Darby says building societies are becoming more flexible about repayment methods. But if you already have an endowment paid out on a previous mortgage, your decision becomes more complicated.

If you want a repayment mortgage, what do you do with the endowment? If you choose an interest-only loan, what happens if the endowment is enough for a new loan on a bigger property?

Ian Darby, of specialist mortgage bankers John Charcol, the first piece of advice must be to hang on the endowment. Since these long-term savings vehicles, you will get the highest return if you carry on paying premiums on the policy until its scheduled maturity date (but see below for other options).

If you want a straight repayment mortgage, this time, the policy will become redundant as a mortgage repayment method, but you can go on going as a freestanding savings policy - it is simply no longer assigned to the endowment.

If for any reason you cannot

afford to carry on paying premiums on your existing endowment, there are three main options. But Darby warns: "Virtually all the alternatives, from surrender, to auctioning your policy, to making it paid up, do not represent good value, given the investment that people have already made in their premiums."

Making it paid up" means that you pay no further premiums, the money you have already paid is still invested and continues to grow until its original maturity date. When it matures, the policy will not be worth as much as if you had paid all the premiums, but there may still be a decent lump sum.

If you do not want to pay any more, and you would rather cash the policy in, you either surrender the policy to the life company, or sell it to another investor, through an auction or a broker. You usually get more by selling than surrendering, but much less by keeping it on. If the endowment is less than five years old, or if it is from a poor investment record, it is still.

It is best to talk to an independent adviser about all the options before deciding to make an endowment.



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spa lauded by *Forbes* &

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yachts in the world; a mile of

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FINANCE AND THE FAMILY

A bond designed for pensioners

The Far Side cartoon advertising the Pensions Guaranteed Income Bond from National Savings shows animals waiting in pairs to go into the ark to escape the flood, and has a caption promising a guaranteed income, come rain or shine.

What looks appealing — storm clouds gather — however, seem rather grim if the weather changes.

At present, the bond's combination of features is attractive. The 7 per cent gross interest is paid for five years and paid monthly on a minimum of only £500 — a mix not available elsewhere in the market. The maximum investment is £20,000.

The government announced the bond in the Budget specifically in order to help pensioners of 65 and over because so many had seen incomes drop as a result of falling interest rates.

At the same time, it did not want to lock investors irreversibly into an interest rate that might be generous but could trap them if rates fall sharply.

The solution is the two-month

withdrawal period. Investors withdraw money from the bond, provided they give 60 days notice and suffer the loss of 60 days interest.

Launching the bond, Anthony Nelson, Treasury economic secretary, said: "The heaviest part of the interest rate is important to the interest rate itself. It would enable people to go if they wanted to do so, and would

bond was designed — the loss of two months' payments may also be a significant disincentive to shifting their investment, — if interest rates have risen.

All investors will automatically be paid their interest gross on 15th of the month and people who do not pay will not have to go through the process of reclaiming it.

Alison Smith looks at the pros and cons of a product designed specifically for over-65s in a time of low interest rates

unfairly give them "a one-way bet".

Knowing that you will not inevitably be left behind if the market moves on clearly has the prospect more tempting.

The problem is that the flexibility requires quite sophisticated judgments about the speed and scale of interest rate movements.

For those who use the monthly interest to supplement their income — some of us in mind when the

investor dies before the five-year period is completed, there is no financial penalty. The bond can either be transferred to another eligible age, or be realised.

Other products available do, however, match or better individual aspects of the bond, and are not restricted to a particular range.

The National Savings capital bond series H, for example, offers 7.25 per cent compound interest guaranteed for five years from a minimum of

7 per cent gross. The range is broadly between 5-6 per cent.

National & Provincial building society's escalator bond, which guarantees that the rate will rise over time, does have a minimum of just 5.500.

For that minimum, the rate rises from 4 per cent in the first year to 7 per cent in the fifth year if interest is paid monthly, and is 0.3 percentage points higher throughout if the interest is paid yearly. But the

penalty for early repayment is of 180 days' interest.

Another product comparable with the pensioners' bond are Tessas (tax exempt special savings accounts). Most pay 7.500 annually but some will do so on a monthly basis. According to Moneyfacts, Coventry building society offers a monthly income Tessas at 7.500 per cent, while the Swindon building society offers the same rate but a minimum of 5.500, and none offers

7 per cent if interest is paid annually.

These interest rates are variable, but the fact that the products are tax-free could mean that for some people they offer a better real rate of return, at least in the short term.

The pensioners' bond went on sale yesterday. People can call for a prospectus and application form using a free 24-hour day telephone line (0800 222 2222) or fill in the coupon attached to the advertisement in the press. If you apply using the coupon, you have 28-day cooling off period in which to change your mind.

Application forms will be available in post boxes from 10 February.

Bonds/Michael Dyson

Gilts overshadow the performance of Pibs

Reviews of the strong performance of gilts but the strength of other sterling bonds.

For instance, the returns from permanent interest bearing shares — fixed interest paying instruments by building — ranged from 12 per cent for Halifax 12 per cent, to 46 per cent from 12.5% West 13.375 per cent. Of the 46 per cent gain, 34 per cent was tax-free capital gain and 12.4 per cent was the annual

predicting the future value or direction of your capital is pure speculation and rarely recommends for capital growth. Therefore, the capital gain should be regarded as a bonus which will certainly not be available in 1994.

However, one certainty is that investors who bought the Pib with a 12.4 per cent gross yield will receive the same in 1994 as in 1993, and so on.

Interest rates of bonds (but not in Pibs, which will normally be repaid) in the year when, and how much, the bonds will be repaid at the maturity date.

That is why institutions hold large bond portfolios within life, pensions and other investment funds. Last year saw record sterling bond issues in addition to those of new gilt issues.

We recommend bonds for financial planning and form part of most portfolios to which equities can be added.

You can buy bonds through broker or financial adviser. Markets prices will determine the capital value, except upon maturity, which will

promise at the time of purchase. In the meantime receive interest payments from the issuer.

When you buy bonds, you can be certain that you know for how long you will hold it, how you will receive interest and that will be paid in the meantime.

You also believe the bond can be kept to promise (remember that unlike dividend payments which can be reduced or removed at the discretion of the board, bond interest is a contractual obligation and will be paid force a company liquidation).

Finally, the bond markets are always developing. Last week the re-emergence of once large corporations sector.

Investors buying new corporation have

achieving attracting yields of 65 basis points above comparable gilts, but they are not specifically guaranteed by the government.

Michael Dyson is a director of Barclays de Zoete Wedd Capital Markets. This is a market-maker and cannot deal with private clients directly. Readers interested in buying bonds should approach a broker.

Like the Pensions bond, interest is taxable but is paid gross. However, the interest is only paid on maturity and no interest at all is available if the bond is repaid within the first year.

Building societies offer monthly interest on fixed-rate five year bonds, but none offers

a minimum of 5.500, and none offers

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Fixed interest securities for private investors											
Issuer	Corporation	Price	Redemption Date	Redemption Price	Yield	Issue Date	Interest Dates	SEY	25%	10%	5%
■ Priority for Income Birmingham Building Soc PIBS	9.375	104.375	6.3	102	7.0	8.93	10/11/94	8.3	8.3	8.3	8.3
■ American Life's Euroseries	8.150	104.5	17.11.2003	100	7.00	7.91	17/11/94	5.52	5.52	5.52	5.52
■ European Building Soc BULLCIG	10.375	130.35	22.11.2004	105	6.45	7.97	22/9/94	4.27	4.27	4.27	4.27
■ ■ ■ ■ ■ Capital National Building Soc 6.125	99.5	15.11.1993	100	6.15	6.18	15/11/91	4.16	4.16	4.16	4.16	4.16
Dudley Borough Council	7.000	78.375	1.2.2013	103	7.05	7.04	1/2/11	5.30	5.30	5.30	5.30
■ ■ ■ ■ ■ Capital Scardale Split 2dp	0.905	113.25	31.7.2003	202.76	7.43	n/a	n/a	6.45*	n/a	n/a	n/a
■ ■ ■ ■ ■ Split 2nd	0.905	105.5	31.7.2003	202.6	7.40	n/a	n/a	6.45*	n/a	n/a	n/a
Accessories: *100% of 3 per cent											

The Week Ahead

Lorho's annual results for the year to September 30 are the first it has published since Dieter Bock, its German joint chief executive, started the process of making the international trading unit a "more normal company".

Last autumn, he succeeded in having non-executives appointed to the board for the first time in 20 years and in setting up a audit committee to review auditing procedures and financial performance.

The figures will therefore be of particular interest to see if the audit committee's influence is apparent and whether the company statement contains any signs of the state of the battle between Bock and his fellow joint chief executive, Tiny Rowland.

Analysts believe that profits from ongoing businesses doubled last year to around £20m and that the figure including gains from disposals could be as high as £40m.

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Title: Initials: Name:

Address:

Postcode:

Minimum charges: 2% of PEP assets, 2% of the PEP account value and 5% of the PEP in the first year, thereafter free of charge. Current yield is 4.15%. Past performance is not necessarily a guide to the future. The value of this investment and the income from it may fall as well as rise and is not guaranteed. Asset classes of charges and expenses may not yet be set by the manager concerned. The benefits detailed are those currently applicable and will vary from one investor to another and may change in the future. Issued by Guinness Flight Fund Managers Limited, a member of GFI.

1053/94

POWER RISK

Check your pension options

Expert advice is needed to prevent short-term gain becoming long-term expense

Foreign assignments are viewed by many as a lucrative perk but the short-term financial gains can be undermined by long-term damage to your pension.

It is wise to seek expert advice to check the value and security of pension arrangements because there is no UK standard expatriate pension package.

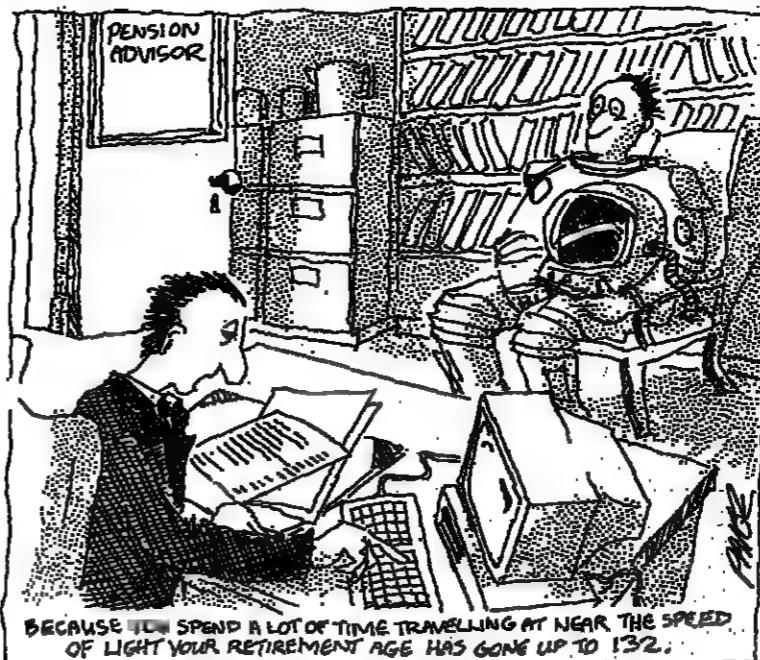
There are several options to consider - remaining in the UK scheme, setting up an offshore arrangement, or joining the local scheme in the country of assignment. Helen Cox, partner with international law firm Clifford Chance, said: "Whatever arrangement you settle for, it is important to check that you are not losing out in terms of the continuity and level of your pension benefits. In some expatriate contracts, employers guarantee that you will be no worse off as a result of your secondment than if you had stayed in the UK in the main company scheme."

UK pension in UK company scheme
Under UK law it is possible to remain in the company scheme for up to 10 years provided your employer meets qualifying rules, although you might hit a two-year time limit if your company is a UK subsidiary of a foreign one.

Brian Waite, international consultant with actuaries William M Mercer, says: "Most employees going abroad for a single assignment for, say, three or five years, prefer to stay in their UK company pension scheme if they think they are going to return to the UK at the end of the assignment. All their benefits will then come from one source in one currency, and they do not have to chase around trying to track down benefits from overseas employers when they come to retire in 30 years."

Taxation is the main stumbling block in any expatriate pension package and in the UK scheme is no exception. Most schemes in Europe, for example, work on the principle of tax deferral and so, although they allow tax relief on contributions, the pension itself is taxed (with some exceptions such as the tax-free cash lump sum on retirement in the UK).

Clearly, employees who claim relief



on contributions in one country but pay tax on the pension in another, upset the fiscal balance. As a result many foreign tax authorities will treat an expatriate's pension contributions paid by the UK employer to the UK scheme as extra income and will tax them accordingly.

The EU is struggling to create a more equitable and flexible system to allow expatriate workers to remain in their home country scheme and retain all the tax reliefs, but progress is slow and in the meantime exiles should carefully check how their pension contributions will be treated for tax purposes in the country of assignment.

Unfunded promises
It is not the pension promise that causes difficulties but the funding of that promise. For this reason some employers offer an "unfunded promise" where the usual pension benefits are provided during the secondment but there is no fund to back that guarantee.

In spite of their apparent simplicity, there are significant risks associated with unfunded promises. For example, how safe would your pension be if the company went into liquidation or was taken over by a hostile predator? What would happen if you left to work for a rival company and tried to take a transfer of pension benefits? Where there is no specific fund earmarked for the pension covering the period of secondment this could prove very difficult.

Offshore trusts
Offshore pension trusts can be an effective and tax-efficient way of providing pension benefits for senior executives, particularly if their career makes it impossible for them to remain within the UK company scheme. The trust, often set up in the Channel Islands, can be designed to provide higher benefits and earlier retirement than the main UK company scheme.

Where the employee plans to retire

abroad the trust can be set up to pay benefits in different currencies.

Offshore trusts are complex and must be arranged by a reputable firm of benefits consultants and legal experts and should be backed by documentation.

Other options
If the job abroad is for a foreign employer, it is worth looking at the local company pension scheme. In some cases membership of the company pension scheme may be a condition of employment.

If you join a foreign scheme, you should qualify for employer contributions and all the tax reliefs associated with locally-approved pension arrangements. The downside is that because of different minimum qualifying periods, you may have to work for several years before you have the right to any pension at all. Furthermore, it may be difficult to transfer your benefits out of the country if you leave.

Other alternatives include a local individual private pension plan, if this type of product is available, or an offshore plan. Beware of offshore plans sold by insurance companies. Charges and commissions may be very high and the contract may lock you into a fixed period of contribution. If your secondment is cut short and you return to the UK you could face punitive early termination penalties.

State pensions
State pensions are funded through national insurance contributions. Normally, when you work abroad for more than a year, you will leave the UK social security scheme and pay into the local system. While UK pensions are meagre, in most European countries they are more substantial.

pan-European Union plan
A pan-European Union plan allows you to aggregate the number of years you have paid national insurance contributions in different countries in order to meet the various minimum qualifying periods that apply. However, when planning for retirement, it is important to remember that the age at which you can claim the state pension varies from 60 to 67 depending on the country of source.

Next week: retiring abroad

Directors' transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & UNLISTED)

Company	Sector	Shares	Value	No. of directors
Alparin Rumur	HGOD	146,242	440	4*
Anglian Water	WATR	55,645	585	1*
Berkshire Group	BCon	77,880	409	1*
Bolton Aircraft	RAFD	55,000	15*	3
Cater Allis	WATF	22,726	3*	2
Chivas	HGOD	77,000	287	1
Clinton Computer	HGOD	77,000	287	1
East Midlands Bisc	EGOD	70,750	444	1*
Fleming Int'l Inc	InvT	57,483	56	2
Glenston Group	BCon	28,500	260	1*
Gold Greenhills	MDCS	36,585	83	4*
Helms	ENG	6,200	14	1
Hunters Armley	PP&P	725,000	1,285	3
Jeyes	HGOD	33,243	120	1*
Kenwood Appliances	Tran	80,000	233	1
Marshall	BMM&P	30,000	35	1*
Nobo Group	OS&B	400,000	928	3
Osborne & Little	HGOD	22,000	25	1
P & O (inc div)	TRON	16,000	100	1
PMC Group	BMM&P	1,500	18	1
Salters J	ReSF	8,500	44	2
Shaword Computer	SSer	100,000	154	1*
Tay Homes	BCon	500,000	1,070	1
Thomas French & Sons	Text	850,000	350	1
Tinsley Robot	PP&P	120,000	24	1
Treatt	FDM&P	48,000	98	4*
Walker Greenbank	HGOD	50,000	82	1*
Wetherspoon	Brew	4,000	15	1

It happens every time. The market soars to unexpected heights and we wait to see what directors will do. Some do nothing - some little to take profits, others continue to deal for personal financial gain.

Nobo Group produces office equipment. In the second week of January, the company announced interim results strongly ahead of the same period last year. The share price has moved up on the

back of it so the sale of 200,000 shares each by Peter Kent, the chairman and erstwhile managing director, Thomas French, sold shares to Shapes and sold the other 200,000 shares for a beneficial profit.

Thomas French & Sons, the home decoration company, appears in both the sale and buy columns. Final results were announced at the beginning of January and M Shapes was appointed as a new chief executive. He then bought 100,000 shares. The chairman and erstwhile managing director, Thomas French, sold shares to Shapes and sold the other 200,000 shares for a beneficial profit.

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HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Interest/term	Minimum deposit	Rate %	Int.
INSTANT ACCESS A/c					
Coventry BS	020 252277	Instant	£1	8.85%	Y
Standon BS	0763 705511	Instant	£1	8.85%	Y
Birmingham Midshires BS	0329 545700	Instant	£100	8.85%	Y
Coventry BS	020 252277	Instant	£100	8.85%	Y
NOTICE A/c and BONDS					
Bradford & Bingley BS	0345 248246	30 Day P	£100	8.85%	Y
B & W Asset	0800 500500	90 Day	£25,000	7.30%	Y
Norwich & Peterborough BS	0733 214734	90 Day	£25,000	7.30%	Y
Newcastle BS	091 361 5522	90 Day	£25,000	7.30%	Y
NOTICE (Tax Free)					
Bradford & Bingley BS	0345 248246	30 Day P	£100	8.85%	Y
Coventry BS	020 252277	Instant	£1	8.85%	Y
Bradford & Bingley	0345 248246	30 Day P	£100	8.85%	Y
Coventry BS	020 252277	Instant	£1	8.85%	Y
B & W Asset	0800 500500	90 Day	£25,000	7.30%	Y
MONTHLY INTEREST					
Coventry BS	020 252277	Instant	£1,000	8.30%	My
Bradford & Bingley	0345 248246	30 Day P	£100,000	8.30%	My
Coventry BS	020 252277	Instant	£1,000	8.30%	My
B & W Asset	0800 500500	90 Day	£25,000	7.30%	My
TESSA (Tax Free)					
Hindley & Rugby BS	0455 251224	5 Year	£25	7.75%	Y
Bridgwater BS	0898 231414	5 Year	£20	7.75%	Y
Dunfermline BS	0898 721621	5 Year	£20	7.75%	Y
West Bromwich BS	021 525 7070	5 Year	£150	7.75%	Y
HIGH INTEREST CHECKING A/c (Overseas)					
Caledonian Bank	031 588 8235	Instant	£1	6.00%	Y
Chase BS	0800 717516	Instant	£2,500	6.00%	Y
HSBC	0800 717516	Instant	£10,000	6.00%	Y
HSBC	0800 717516	Instant	£25,000	6.00%	Y
HSBC	0800 717516	Instant	£50,000	6.00%	Y
OFFSHORE ACCOUNTS (Greece)					
Woolwich GS	0481 715735	Instant	£10,000	8.30%	Y
Confederation Bank (Ireland)	0354 606900	90 Day	£20,000	8.30%	Y
Derbyshire (IOM) Ltd	0824 683422	90 Day	£25,000	8.30%	Y
90 Day	0824 683422	90 Day	£25,000	7.50%	Y
GUARANTEED INCOME BONDS (Irel)</					

FINANCE AND THE FAMILY

Pep bombardment

Investors will be bombarded with mailshots and advertising campaigns in the coming months, to tempt them into a personal equity plan before the year ends April 5.

All income and gains within a Pep are tax-free and this has made them enormously popular. Over 100,000 have been sold in general Peps, which were first sold in 1989 and into which

Since then additional can be put in a single-company Pep. There are more than 870 schemes to date, so investors are not

for choice. Chase Vere, which published a annual Pep guide this week, includes performance unit, investment trust and single company Peps.

The top performer among the unit and investment trusts over three years is Hill Samuel UK Emerging Companies unit trusts with growth of 185 per cent (figures as of 31 December 1993). The initial charges are not taken into account, with income reinvested. The fund was launched in 1989 to

invest in companies with a maximum market capitalisation of £50m.

Personal Assets, managed by Ivory Sims and Law Debenture, both investment trusts, are growing by 179 per cent and 171 per cent respectively. The first invests in the UK and the US, while Law Debenture, which is managed by Henderson TR, has a broad international spread.

The remaining funds in the top 10, in decreasing order of performance, are St James' Place Pep Progressive unit trust, Henderson TR Electric General IT, Glasgow Shires IT, Perpetual High Income unit trust, Fleming Pledging IT, the ordinary shares of Finsbury Smaller Companies IT and Pembroke unit trust.

The Pep with the best performance was Equitable Special Fund, which grew by 20 per cent over the period.

The Pep leaders in the FTSE 100 companies over one year were British Aerospace (with growth of 283 per cent), Power-

gen. Granada Group, Royal Bank of Scotland, Standard Chartered, British Blue Circle, Great Universal Stores, RMC Group and

Single company Peps are often used to transfer shares acquired under an employee share option schemes. Only one company's shares can be held at any time, but it is possible to switch between them.

Pepguide, 12th edition, Chase Vere Investments, 63 Lincoln's Inn Fields, London WC2A 3JX. (incl p&p).

Scheherazade Daneshkhah

Yes, you can defer CGT

Dealing with a way of deferring capital gains tax, published in the FT last week, really is good as expected.

The reinvestment rule for PEP operates to relieve all gains no matter how they are made, provided the gain is reinvested in unquoted trading companies, your own or a family company, or a company run by a complete stranger.

The relief does not appeal since unquoted trading company shares are regarded as inherently risky. However, in circumstances, particularly within entrepreneurial families, where this rule could be a way of postponing payment of the tax indefinitely.

To give you an idea of how it can be made to work, take for example Mr James, who sold his shopping centre five years ago. Mr James sold his retail business for £250,000 to take a 30 per cent stake in Jennifer's business, his daughter's gains, including the rolling over gain in the shopping centre, will be exempt and the shares in Jennifer's company should qualify for business property relief and be totally exempt from IHT as well.

Mr James' daughter, Jennifer, has a pre-packaged food business which she runs through an unquoted private company. The company needs additional finance to expand and Mr James is willing to assist, ideally if he can sell his interest in the shopping centre and defer the tax on the £200,000 gain.

Mr James' gain at least £200,000 is, in the gain in the shopping centre) in ordinary unquoted shares of his daughter's company, his gain on the shopping centre can be deferred until the sale (or gift) of the shares in his daughter's company.

Let us further assume since the sale of Mr James' retail business, he is a full-time working in his daughter's company. Let us assume that he invests £50,000 in his daughter's company, which is 30 per cent of the ordinary share capital. His investment in Jennifer's company will now also start to qualify for retirement relief.

Assuming Mr James works full-time for the company for a further five years before selling his 30 per cent for

the gain only would the gain be £100,000. This gain rolled over from the sale of the shopping centre (on the basis of 100 per cent and the remaining 30 per cent at current retirement rates).

Alternatively, let us assume that Mr James is in health and has not sold for the company. He would like to sell his shopping centre to help his daughter but is reluctant to do so for fear of incurring a high CGT charge which would be avoided if he kept the shopping centre until his death.

With this new relief, Mr James should be able to avoid not only the CGT charge, but inheritance tax as well.

If Mr James sells his shopping centre and retains £250,000 to take a 30 per cent stake in Jennifer's business, his daughter's gains, including the rolling over gain in the shopping centre, will be exempt and the shares in Jennifer's company should qualify for business property relief and be totally exempt from IHT as well.

Caroline Garnham is cheered by reinvestment relief on gains

Mr James need not necessarily be involved in the decision-making process of the company. It is possible for him to gift his shares in his company into a trust and appoint Jennifer as a trustee. Jennifer will then receive in full the benefits affecting him, and, assuming Mr James can claim relief for his business assets, putting the shares into a trust will not give rise to an immediate charge, which will affect his eligibility for full CGT relief and IHT relief on death.

The new relief is not limited to sales. For example, if Mr James gave his ownership interest in the shopping centre to his son, Paul, say, as a wedding gift, the gain (as calculated against market value) could



still be avoided, provided Mr James invests a sum equivalent to the chargeable gain in the shopping centre in unquoted private company shares in Jennifer's company.

Of course, as with all relief, where the gain is deferred, if the company does not do the same, the quality and continuity of quality then becomes payable immediately.

As you would expect, there are a number of irritations which must be satisfied before relief is given. One of these is that if the company holds more than half its chargeable assets in land, it will fail to qualify. There are provisions which permit the reduction in the value of land by securing debts against it.

Therefore, if your land is relatively too high in value, the company could raise money using the land as security. In addition, alternatively, it could invest in chargeable assets and thereby reduce the company's interest in land to less than half. In addition, you must continue to monitor the chargeable assets of the company to make sure that over the years, the value of the land does not increase beyond the value of the company's other chargeable assets and thereby unqualify the company.

If this were to happen, all is not lost. Provided you have more money (up to the value of

the held-over gain) in other unquoted shares within the limits, the held-over gain will not be chargeable.

The new reinvestment relief is a welcome addition to the already available. Unfortunately, there is little harmonisation between the rules. To qualify for 100 per cent business property relief you must hold 25 per cent or more of ordinary shares, whether they are quoted or unquoted. For retirement relief you need to hold at least 25 per cent of unquoted qualifying shares, and, for reinvestment relief, the relief is available no matter what your holding is, provided your holding is, provided you hold 25 per cent of unquoted qualifying shares.

If you give business gifts of business assets, you will not be liable for the tax but the person to whom you give the assets will be, although only when they dispose of them. However, if you sell assets and reinvest the proceeds in unquoted trading company (and claim relief), you would still be liable for the tax on the gain but it will be deferred until you dispose of them.

Avoid do-it-yourself mitigation schemes because of the complexity created through the legislation.

Caroline Garnham is a specialist at City solicitors Simmons & Simmons.

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Durka Business Systems	76.5	285	+209	Abraham Trust	38 97 +155
Shelfield	87	370	+210	Carter Nicholson	29 77 +153
Chesterfield Property	197	594	+202	Asda Property	32 92 +152
Sheffield Insulations	86.5	260	+201	British Aerospace	165 401 +145
Cadbury International Holdings	21	125	+196	C'More Europe, Pacific	67.5 161 +139
Metropolitan Properties	102	196	+173	Courts (Furnishings)	324 894 +138
Wool Group	62	169	+173		
Dawsongroup	133	362	+168		

This is a list of the top 20 performing stocks from the FT All Share Index through 1993. So what, you ask? Well, which of these shares did your broker recommend to you at the end of 1992? Just think about it for a while.

Almost all of them have one other factor in common. In 18 of the 20, directors bought heavily prior to the share price recovery. Statistics are there to be manipulated, so let's look at the facts.

Directors in Smith New Court, the top performer, were buying at prices as low as 102.5p and carried on buying throughout the beginning of 1993.

At Durka Business Systems and Henlys, directors were buying massively long before the shares reached 281p and 270p respectively. In short, it's like a guide to heavy buying by directors.

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FINANCE AND THE FAMILY

Diary of a Private Investor / Kevin Goldstein-Jackson

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In a changing world, it's good to be with the Woolwich

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I ■■■ a ■■■ TV western series *The Cisco Kid*. The Kid and his partner, Pancho, "fought for justice" in New Mexico.

Another Cisco ■■■ currently fighting for justice but this time for small companies in the UK. The City Group for Smaller Companies has chosen "Cisco" ■■■ its abbreviated name.

The group includes stockbrokers, ■■■ capitalists, merchant bankers, and others who believe that ■■■ exchange should be created to trade in the shares of small companies.

This new exchange could be run by the London Stock Exchange or by ■■■ independent organisation. Will there ■■■ a shoot-out in the City?

The London ■■■ Exchange has already announced its intention ■■■ close the Unlisted Securities Market following ■■■ extensive review which concluded that the market's distinct identity ■■■ been eroded since ■■■ by convergence of the regulations and cost of joining ■■■ Official List ■■■ the USM. It ■■■ investigating ■■■ replacement for the ■■■ ■■■ commissioned a market research survey, the results of which should be known in March.

Meanwhile, Cisco is looking into ways of organising and financing ■■■ independent ■■■ companies exchange. It too, expects to produce ■■■ findings in March.

As ■■■ private investor, I would like to ■■■ a strong, independent rival ■■■ the London Stock Exchange. ■■■ I feel it would be ■■■ mistake to ■■■ it with a name such as "The Enterprise Market". This ■■■ be the choice adopted by both parties investigating ■■■ need for it.

To me, such a name implies that the market will ■■■ solely ■■■ at new enterprises ■■■ trying much more risk than other companies. It makes it seem like a junior market from which companies would ■■■ they have ■■■ graduate to a full listing.

If ■■■ new market ■■■ by private investors as very high risk - or, even ■■■ a dumping ground for shares which institutional investors

might otherwise have difficulty in getting rid of - then ■■■ will have no hope of emulating the US-based Nasdaq.

Founded in 1971 to cater for small companies, Nasdaq has rapidly grown to become the world's second largest ■■■ market in terms of volumes traded. Companies such as Intel, Apple and Microsoft, which all started on Nasdaq, have not felt the need to "graduate" ■■■ Wall ■■■ Nasdaq is

It could charge much lower fees to companies seeking a stock market listing but it would still need to ensure that not too many crooks found their way ■■■ It would have to organise ■■■ proper regulatory system.

A new exchange could have much longer trading hours than ■■■ London Stock Exchange. But ■■■ the most attractive selling points could ■■■ in settlement systems.

certificate could ■■■ one printed out free by the depositary company.

The new exchange (and the depositary company) should offer much better compensation schemes than are currently available from existing organisations. This would demonstrate to investors that the new market was fully aware of its obligations to provide an honest and efficient service - since automatic compensation would be paid, not only for any losses due to fraud, but also as a result of any hiccups in the system - in much the same way as many utility companies now make payments if they fail to achieve certain specified time targets.

New legislation should be introduced to give the new exchange a kick-start. There are a number of companies which are reluctant ■■■ a full stock market quotation ■■■ of the ■■■ situation of current shareholders. The new rules should offer ■■■ relief and ■■■ relief on unquoted and certain other companies should be extended to cover companies quoted on the new exchange.

It also seems unfair that a company with a limited track record can come to a market in a blaze of publicity and promote the offer price for its shares while a company that already has a market listing (and a good track record) is unable to advertise that its shares are a bargain at current prices. Companies quoted on the new exchange should be allowed, within reasonable limits, to ■■■ their own shares.

The new market should also adopt a very ■■■ profile and engage in all manner of educational and promotional activities - from ■■■ will ■■■ to TV advertisements to promote its activities and encourage people to invest in the companies traded on the exchange.

The ■■■ exchange might then not only improve the current lack of liquidity in the small companies sector but stand a reasonable chance of further expansion and giving investors the opportunity to benefit from the results of general

exchange ■■■

With the introduction of Taurus and ■■■ and having ■■■ cope with all manner of interests, ■■■ London Stock Exchange ■■■ in which ■■■ to afford ■■■ completely new exchange.

All companies quoted on the ■■■ market should use a depository system whereby a company - vetted and monitored by the Bank of England - would hold shares and certificates on behalf of ■■■ owners. This ■■■ be a ■■■ example.

When Nasdaq started, it was able to ■■■ something different: fast and efficient electronic share dealing. A new exchange in the UK would not have such a unique selling point because ■■■ London Stock Exchange took advantage of ■■■ Bang to follow Nasdaq's example.

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Offerings for investors tempted by equities

Scheherazade Daneshkhu and Bethan Hutton look at trusts being launched to meet the demand for stocks

The strong performance of the UK market last year and excitement over the prospect of high levels of growth in the Far East have led to a spate of new offerings from pension houses. With interest rates low, money has piling into equities.

Schroder and Gartmore investment trusts (see right) have both packaged their new UK funds to appeal to the pension equity plan market in the run up to the end of the year. Both are UK funds, the first focusing on growth in the UK, the second on international growth. The other UK fund, the Newton, will invest in smaller companies, while Edinburgh Fund Managers and Martin Currie are looking at growth in Newton's Distributor fund and those seeking income.

Two of the funds are unit trusts, the rest are investment trusts. For unit trusts, the launch period may be attractive to buy now. Returns are usually on offer. Martin Currie, for example, will offer a percentage point off the initial charge to new buyers.

However, investors can't buy off buying at the launch, because they pay full price in anticipation of a recovery in profits. The emphasis is switching to switching. This is because of the cost of issue. Many fund management groups try to compensate for this by issuing warrants with parcels of shares.

A warrant gives you the right to buy shares in the trust or company in a future date at a fixed price, the original offer price. As the warrant is usually exercised in the future, you would normally expect the share price to have moved well above its issue price by then, so the warrant gives you a very attractive buying opportunity.

Warrants can be sold separately from the shares, and their price rises as the share price moves upwards. The value of the warrant after a while may be enough to cancel out the cost of the ordinary shares.

For example, investors in the Edinburgh New Tiger trust will receive one warrant for every five shares they buy. These warrants have a 15-year life, and the first exercise date

is three or four years away. EFM hopes that the price of trading could account for about 7p a share, compensating for a 10% discount of 4p or so on the actual shares. The Saracen Value Trust and Schroder UK Growth Fund will be issuing warrants on a one-for-five basis.

Split capital trusts aim to get around the same problem of the discount by dividing up the share capital to form parcels that are attractive to investors with particular needs, so that steady demand prevents the share from falling in a count.

The example is the Gartmore trust, aiming ordinary income shares of private winding income, using a PEP for tax shelter, with the dividend appeal to institutional investors.

It may be a good time to enter the UK unit market, which performed strongly towards the end of last year but Peter Sedgwick, chief executive of Edinburgh Investment Management, believes that there is still more to come. He says that the emphasis on income funds has left a gap in the market that yields on the UK market have been in anticipation of a recovery in profits. The emphasis is switching to switching.

Edinburgh Fund Managers' New Tiger trust combines some of the popular investment trusts of the last few months: emerging markets and smaller companies.

Although the fund will be invested in Asia, it will avoid the established markets of Hong Kong and Singapore; other markets such as South Korea and Taiwan will soon be excluded as developed.

New Tiger will be looking at the smaller markets, such as Malaysia, Indonesia and Thailand, and only using Hong Kong for its exposure to China, Vietnam, Laos etc.

South Asia is also on the menu - EFM has just bought a stake in an Indian mutual fund group, so more investment there can be expected.

The launch has been timed for funds to be available immediately after the Chinese New Year in mid-February, a traditionally quiet time for financial markets, with a chance of bargains to had.

Newton

Name, Distributor Fund. Aims: To achieve a return from income and capital growth from a portfolio of UK and international equities and to allow investors to draw on capital to supplement income. Yield: 3.2%.

Minimum investment: £5,000. Charges: 6% per annum.

Peppable? Yes, up to £1,000.

Minimum PEP investment: £1,000.

Comment: The fund is aimed at seekers who will be able to withdraw 10% per cent annually. The withdrawal limit is 10% per cent, 7.5% per annum.

The income can be reinvested.

The fund's aim is to replenish, in real terms, the capital withdrawn under the terms of the plan but, of course, cannot guarantee this.

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Gartmore

Name, British Income & Growth Trust. Aims: Investment in UK shares with a higher yield.

Terms: Ordinary income shares at 100p, a dividend share at 115p or packaged shares combining the two.

Minimum investment: £5,000. Charges: 6% per annum.

Peppable? Yes, up to £1,000.

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Saracen

Name, Saracen Value Trust. Aims: To invest in smaller companies from the FT-SE SmallCap index, with the aim of achieving long-term capital growth.

Terms: Similar to Gartmore, with a higher yield.

Minimum investment: £1,000. Charges: 6% per annum.

Peppable? Yes, up to £1,000.

Minimum PEP investment: £1,000.

Comment: The fund is aimed at seekers who will be able to withdraw 10% per cent annually. The withdrawal limit is 10% per cent, 7.5% per annum.

The income can be reinvested.

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Schroder

Name, UK Growth Trust. Aims: To invest in smaller companies from the FT-SE SmallCap index, with the aim of achieving long-term capital growth.

Terms: Similar to Gartmore, with a higher yield.

Minimum investment: £1,000. Charges: 6% per annum.

Peppable? Yes, up to £1,000.

Minimum PEP investment: £1,000.

Comment: The fund is aimed at seekers who will be able to withdraw 10% per cent annually. The withdrawal limit is 10% per cent, 7.5% per annum.

The income can be reinvested.

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EFM

Name, Edinburgh New Tiger. Aims: Long term capital growth through investing in UK equities.

Yield: In line with the FT-A All Share.

Minimum investment: £1,000. Charges: 6% per cent initial; 1.5% annual management fee.

Peppable? Yes, up to £1,000.

Minimum PEP investment: £1,000.

Comment: This trust's target - which includes India and China - is home to more than half the world's population, and developing rapidly. Returns are growing at an average of more than 10% per year. Smaller companies have escaped the attention of international investors, so their shares are yet overvalued. These are volatile markets, and the risk could be very high at times, but investors taking a long-term view will be rewarded.

Comment: Martin Currie says the fund will complete its Far East range which comprise a Japan fund and a Far East including Japan fund. It launched an offshore Indian Opportunities fund last year and has an Emerging Markets fund. Its International Growth fund has a good track record and came second in its sector in the 10 years to January 1, according to HSW.

The markets of Asia are volatile but Martin Currie hopes that the new fund will have a broad spread of investments from China to the Middle East. Risk will be lessened.

Martin Currie

Name, Asian Opportunities. Aims: To achieve capital growth through investment in Asian markets (excluding Japan and Australasia).

Minimum investment: £1,000. Charges: 6% per cent initial; 1.5% annual management fee.

Peppable? Yes, up to £1,000.

Minimum PEP investment: £1,000.

Comment: This trust's target - which includes India and China - is home to more than half the world's population, and developing rapidly. Returns are growing at an average of more than 10% per year. Smaller companies have escaped the attention of international investors, so their shares are yet overvalued. These are volatile markets, and the risk could be very high at times, but investors taking a long-term view will be rewarded.

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BONDS

Our new Pensioners Bonds give a watertight guarantee. A regular monthly income at a rate of interest fixed for 5 years at a time.

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Your cheque should be crossed "A/C Payee", and made payable to "NATIONAL SAVINGS (PENSIONERS BONDS)" - using CAPITAL letters for this part of the cheque.

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Pensioners Guaranteed Income Bonds are subject to the terms of the Prospectus. Please note that your application can only be accepted if Series 1 is on sale when we receive it. You must use this coupon to buy by post. You may buy a bond jointly with one other person but both of you must be aged 65 or more. The purchase date will be the date we receive your application form and cheque. We will send you your Bond, together with a copy of the Prospectus, normally within 4 weeks. If on receiving the Bond and Prospectus you cancel your purchase tell us in writing within 28 days and we will refund your money, but please note that interest is payable on a cancelled purchase.

The rate of interest is for 5 years at a time. It will apply on or before the fifth anniversary of purchase to tell you the rate which will apply for the next five years or any longer by the Treasury not to offer further interest. Except on each five year anniversary date, 60 days' notice is required for repayment and no interest will be earned for the 60 days before the repayment date.

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Or for rapid delivery please attach a first class stamp.

1. I/We apply to buy National Savings Pensioners Guaranteed Income Bonds to the value of £

2. I/We understand the purchase will be subject to the terms and conditions of the Prospectus.

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MINDING YOUR OWN BUSINESS

Jim Keeling is Britain's number one flowerpot man. He has achieved this remarkable position and a tenfold increase in turnover in the last decade by developing an old-fashioned cottage industry.

In 1985, in an interview with the *Financial Times*, Keeling explained why he did not intend to employ a sales staff nor to buy automated equipment to compete with foreign competition. From being a business plan for extinction, this strategy has enabled him from an annual turnover of £10,000 to £750,000 and to hold on to his gains through

Keeling, the founder of Whichford pottery, is the opposite of the popular image of a successful businessman. He is thoughtful and restrained - a Catholic convert, who is greatly concerned that we should all be able to realise our own "inner journey".

He is, however, undeniably Britain's leading maker of pots: he has written books on gardening. His output ranges from small terracotta flowerpots to graced every potting shed before the days of plastics, giant baroque urns adorned with decorative fruits and

In comes a range of wallpots, fruit jars, pastry pots, barrel-style pots, ornate troughs, animal figures, pots, wallpots, rhubarb forces, strawberry pots and host of others.

They are all hand-thrown, made from a blend of local clays and refined to

pottery. It was by accident. Shortly before going to Cambridge 22 years ago, I was working on a reconstruction of an archaeological dig in the Midlands. Then he gained what he calls a "dogsbodship" in small pottery near Farnham in Surrey.

Keeling recalled: "The buildings were falling down and I had no proper tools. I learned to throw and I specialised in plant pots from word go. I taught myself very economical materials and effort - that is how to do it properly. Fortunately I have been able to pass on this throwing tradition to nine others.

The experience only lasted six months but it was a vital



Jim Keeling displays a basket flowerpot and oval basket at his pottery in Whichford: 'I am keen to uphold the best manual working traditions'

Computing/David Carter

Put yourself in the picture

Several times over the last year or two a friend has put a page from a PC magazine under my nose and asked: "Why can't I have pictures that look on my computer?"

The advertisement in question usually shows a screen from a personnel records database, with among all the lines of text describing the employee's address, national insurance number, salary and so on, there is a picture of the employee - usually a sultry female.

The only are interested in storing pictures of staff on computer, especially sultry females, but if they could hold pictures of products that might be even more useful. An instantly-available picture on computer screen could be invaluable for a demonstrator, for an order clerk taking a visual order, for anything needing just to check what the product looks like.

Picture on a computer system mean graphics - and graphics mean Windows 3.1. Unfortunately, apart from a few cheap ones at the bottom end of the market, nobody writes stock control packages under Windows. They write them under Unix, which means such as DOS and Unix, which do not lend themselves to graphics.

The beauty of this approach is that it bypasses a host of technical problems: no need to interface with proprietary file formats, the curse of accounting software; and no problems integrating Windows-based graphics with other text-oriented operating systems.

I spoke to two users of DOSview. Both were enthusiastic. One runs a 15-user Unix system. He said DOSview had taken half a day to install and has worked perfectly since. The other had technical trouble but said this was partly because he had bought some of the equipment himself. DOSview is an assembly of equipment made by different manufacturers. A start-up package of a software, video camera, a beefy 486/60MHz 20MHz PC to run the graphics and interface cards costs about £20,000. If you buy all the parts from Thinkware it takes responsibility if anything goes wrong.

Several software suppliers have expressed an interest in DOSview. First off the blocks is SBS, the Exchequer accounts package I have praised before (tel: 0208-280008). They will offer a DOSview link in their new order processing package due out in February.

Other potential users are companies that have a stock or personnel system and want to upgrade it to store images. To date, the only options available have been time-consuming, complicated and expensive. Thinkware has provided a pioneering product which is cheap, ingenious, elegant and

■ Thinkware/JSS Tel: 031-209-1166. Fax: 031-209-0100. Using DOSview you can take a photograph of the product and store the image in a file. Thinkware has a video camera and a scanner directly linked to the computer. The operator takes the piece of jewellery under the video camera, which then photographs it, transmits it to the computer and stores it in a standard graphics (TIF) file. This then automatically creates the TIF file, reducing it from 100 to

Number one flowerpot man

Concentrating exclusively on up-market terracotta has taken Jim Keeling from a 'dogsbodship' to selling pots worth up to £750,000 a year. Clive Fewins visits him

time. On my best day I managed to turn 720 pots."

In Keeling and Dominique moved to Barton in Oxfordshire, where they bought a cottage for £12,000, the help of a £12,000 legacy and a small mortgage. Keeling turned a nearby garden into a pottery, financed with a bank loan guaranteed by his father. He built a kiln from scrap metal and made little money out of potting for the first two years.

After three years the pottery was turning over £25,000, employing a sales agent and

training the first of several local young men, of whom I was one, to be potters.

"I was working desperately hard, teaching myself to throw up to 15-inch pots a day," Keeling said.

He realised that if he could guarantee quality and continue to sell pots there was money in terracotta.

By the time the couple had

turnover of £36,000 (of which nearly 30 per cent was profit) a staff of three, and a catalogue with 45 styles of pot.

Keeling took out a £30,000

mortgage to

to a second dilapidated cottage, eight miles away in Whichford, in the Warwickshire Cotswolds.

There he resolved to stay with terracotta. "I was fascinated by the basic flower pot shape and keen to produce many variations as possible. I also knew that by using terracotta I could make bigger profits than other potters," he said.

Three months later he was wondering if he had made the right decision. "I was desperate to sell pots. The business was known in its new surroundings and I had a running battle with the planners over signs. I

needed to a lot more pots to finance expansion, yet found it increasingly difficult to persuade the trade to buy from a non-English producer."

A friend suggested an exhibition in a warehouse in east London that was available for weekend lets. Thanks to national press coverage the event took £5,000 in the first three hours. The pottery's entire stock went in two days.

"I was getting the full retail price by selling direct. The experience opened my eyes and showed me the way forward was by selling," Keeling said. "It also convinced me that there was a big future if I could increase production."

He took out a £40,000, 10-year loan from Lloyds bank, and set about building a new pottery. He expanded his staff and made efforts to attract the services of professional gardeners.

He moved away from garden centres and stores selling cheap imported terracotta pots and pursued an unashamedly up-market policy.

"At Whichford I am keen to uphold the best manual working traditions," Keeling said. "Here we have taken a good look at our hand-thrown tradition, decided what works, and added to it improved on that. In his 11 years at Whichford, Keeling has increasingly

advertising and today more than half his sales are direct.

Gardeners have a path in the pottery and we have expanded regional sales to country gardens and nurseries. Twenty per cent of his output is exported, about 20 per cent is sold in garden centres, and the rest is sold by mail order.

Whichford Pottery holds a sale and "open house" in the three weeks before Christmas during which it disposes of a large number of seconds. This helps to fill the gap at the time of year when production fails to fall below the target of 1,000 pots a week.

"By large we produce things we enjoy making. We also do a lot of crafts and adapt designs for grand gardens and the stately homes trade," Keeling said.

Turnover is likely to be down from the anticipated £750,000 this year. Keeling has been developing new ideas and doing little throwing himself.

He is optimistic, however, that the company will show the £100,000 profit he likes to see at the end of each year.

He still has a long way to go but is in a good position to expand if he chooses.

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PERSPECTIVES

As They Say in Europe / James Morgan

More sex please, we're British

Today, all being well, I shall hear what Germans and the British think of each other. Top journalists from each side will tell me about "British-German National Stereotypes and the Media" at the Goethe Institute in London.

This is stop the British depicting the Germans as ranting madmen in leather coats or potbellied drunks in leather shorts.

But I dread it. As a patriot I think of the Island Race as honest, upstanding, decent and so on. But recent have only confirmed German impression that we are, in the words of Reiner Mann, London correspondent of *Die Welt*, "obsessed with sex".

The Anglo-Saxon concern with other people's lives remains of some, but dwindling, interest most of our neighbours. The British are for their part fascinated by

the different attitudes in France, where a law on privacy reinforces the national preference for ignorance about what happens behind others' bedroom doors.

Few take much interest in Germany either, just as easy-going. Many papers there reported that a politician was robbed in a park; they did not mention that he was with a prostitute at the time even though this was known.

The one occasion the ban to be lifted was in the case of the *Katerina*, but that was of her alleged

involvement with the German regime - and the note in the daily record kept by the secret police read: "Sexual intercourse 11 minutes."

German journalists can reel off a list of public figures and name their mistresses. Yet the British stereotype in Germany excludes relaxed, irregular relationships; I had always seen a German mistress would be registered at a local *Liaison Registration Office*, *Stadtische Verwaltung*.

The only expert on German sexual behaviour I have found is Anne McElvoy of *Times*, now

in Moscow. She originally made her name writing from Berlin.

In another publication some time ago she recounted her experiences at the hands of men who sought a deeper relationship with her. As I have never been attracted to a German woman, I have led a life of invincible chastity, I am unable to verify her observations, but they ring true.

They can be confirmed by those monumentally anaphrodisiac films on late-night German television which consist of what one might call Tyrolean erotica. It is evident that the

in the German soul does not extend to transactions between

If German attitudes resemble the French, their basis is entirely different. Many leaders of the Third Reich demonstrated that a less respectable domestic life did not preclude revolting elsewhere.

This provides other German familiar readers of this film a colourful and varied emotional life not preclude political integrity. The French don't make that connection: for them the acquisition of a woman is a reward which only

marks out the man, but gives the woman a useful leg up the ladder in life.

In Germany, attitudes are based on the view "boys will be boys". The Germans ally their preparedness to accept the inevitable with a tolerance of self-indulgence unknown in Anglo-Saxon puritanism. "Illicit" sex is a safety valve.

Maybe writing sex is the British safety valve. Certainly I am sometimes surprised by the concerns of my colleagues - and then think that they must have much fun than I do in pursuing their professional interests.

As the man from *The Times* to

me: "It's more interesting than the Belgian budget." Perhaps I too suffer from the real *vice australis*, prurient voyeurism.

In his reporting of the British scene, *Die Welt*'s Gatermann has been most struck by the scale of the investigative resources deployed in reporting British lives. It was inspired by the apparent contrast between what government ministers are preaching and what they are practising.

"I would not like to dig into the private lives of people who are so sanctimonious," Gatermann told me. "It means the lives of the journalists, not the politicians.

Today's Goethe Institute seminar is designed to tackle the "negative aspects" of stereotypes like, presumably, "the British are obsessed by sex." But what if they are founded on fact?

James Morgan is economics correspondent of the BBC World Service

Poker with the plastic pirates

David Spanier meets the men gambling on turning Las Vegas into Disneyland with slot machines

While Eurodisney is hurtling badly across America, remains in semi-recession, theme parks are booming in Las Vegas Boulevard, making Nevada's pleasuredoms bigger, more vibrant, more vulgar and more lucrative than ever.

Last month the Luxor hotel-casino, a shiny black pyramid, opened. There, guests "tour" an underground river Nile by boat to view the kitsch-Egyptian interior. The light show from the river is claimed to be the most powerful in the world.

A week after Luxor's inauguration, the night sky was lit by the spectacular destruction of the Dunes, the outdated, old-style castles which was blown up to celebrate the opening of Treasure Island.

This new castle stands next to the Mirage, built four years ago by flamboyant entrepreneur Steve Wynn as the new theme-park properties designed to set a trend of family-oriented entertainment.

In front of Treasure Island, a pirate ship Francis Drake's *Hispaniola* each

70s, full of vim. He goes and plays tennis in between buying and selling companies.

He has spent a lifetime wheeling and dealing in castles and airlines and much besides, yet has managed to remain a private figure. He describes himself as "just a country boy who got lucky."

The question remains: why should a man of his age, already a millionaire many times over, devote so much time, energy and money to building something like the Luxor?

Kerkorian is the biggest and the glittering names the world had.

He had done it twice with the International (sold to the hotel chain) and the first MGM (bought by Bally, the casino, hotel and club operator). But he is a razzmatazz wanted, again, to go one better than anyone.

"I don't see anything coming from Las Vegas in many lifetimes," he says.

MGM's president is Larry

Wells, a quiet, laconic, witty man who started as an waiter in a restaurant. As executive officer, his task is to pull together a variety of castles from different areas of the casino business, and a team.

Wells has got it right: Kerkorian is a man who stays above all the noise. He has a good judgment of what is worth. Whether it's an airline or an airline or a casino, he knows exactly the right price to buy it.

The test of the MGM will be

the park: it will be

the public, the gaming

revenues will follow. Wells

"We are going to give

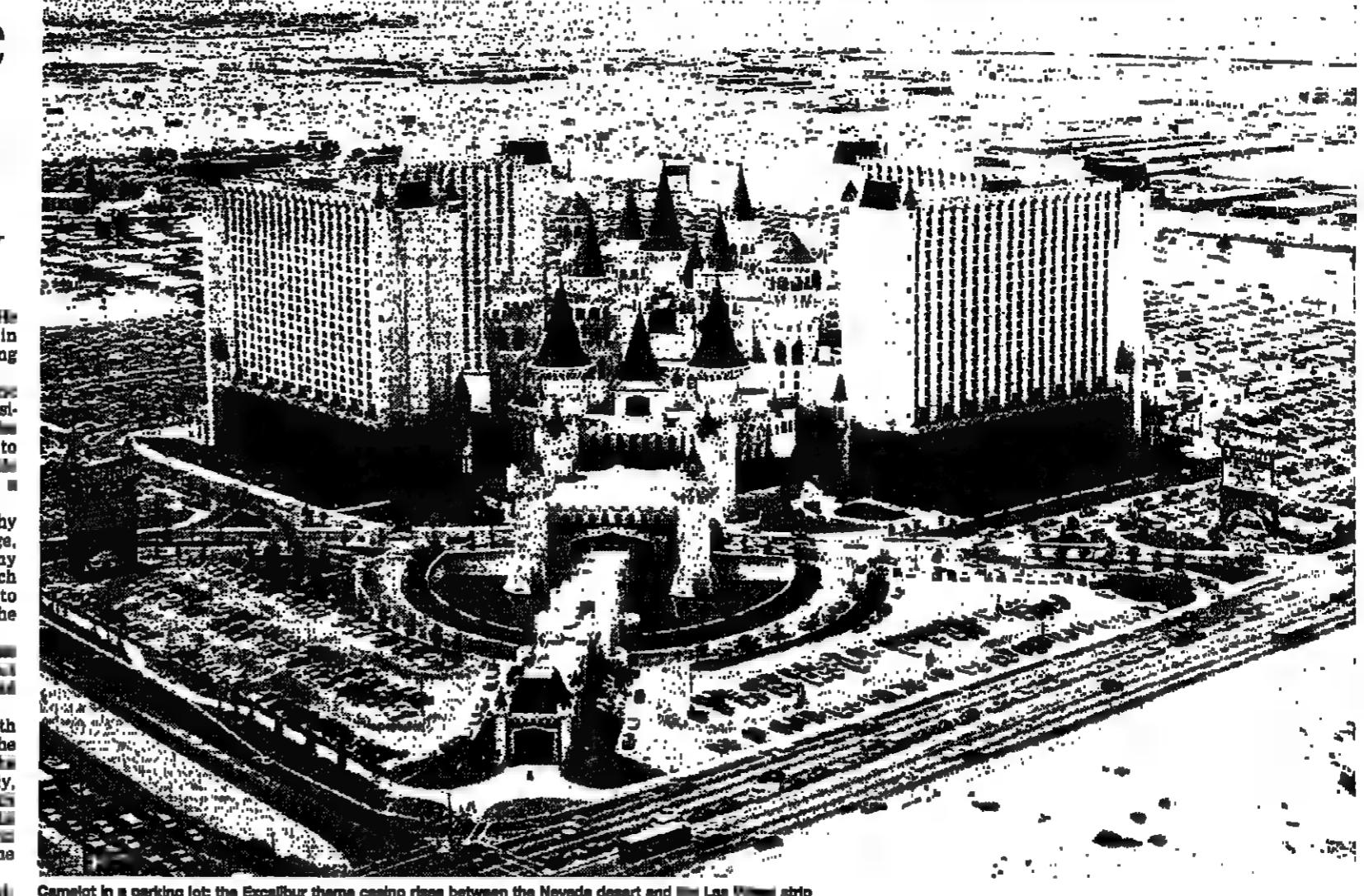
people everything - and some."

Las Vegas continues to break records. In 1993 it had 22m visitors, close to the total for all of Britain. Even in recessions, growth goes on. If it is a slower rate, will that change? "No," says Mazey, who is the planning team at MGM. "The market is so deep, you can't plumb its depths."

Yet, gambling on its own is not enough. Atlantic City, on the coast in New Jersey, discovered - to its cost.

The public is gullible:

players that they will lose. The difference is



Castles in a parking lot: the Luxor theme-casino rises between the Nevada desert and the Las Vegas strip

that a visit to Las Vegas includes excitement and entertainment.

The theme-park is a family holiday. The mix of cowboy, circus, medieval, South Seas, Roman, oriental, movies, space age - might seem garish, outrageous and artificial. It is packed with fun and energy.

Gambling remains the most important revenue in

Las Vegas. However, the days of a near-monopoly on legal gambling are over. The par-mutuel (Tote) betting in many places, horses, dogs and Jai alai (a version of Basque pelota). In total, gambling has gross revenues in about \$32bn, or 10 per cent of the country's disposable income.

There are plans to make gambling legal in New Orleans, City and St Louis. Beyond this, there is par-mutuel (Tote) betting in many places, horses, dogs and Jai alai (a version of Basque pelota). In total, gambling has gross revenues in about \$32bn, or 10 per cent of the country's disposable income.

Even it will have a fight to get the lion's share.

The peasants' way of life

Continued from Page 1

Louis an energetic peasant-farmer, he was a anti-cleric and socialist council for Apt. Succeeding generations of his family, Robert, Louis, fought with a left-wing resistance during the second world war. As teenagers in the turbulent '70s, four of his children joined the French communist youth movement.

Robert and I took a stroll around the 20 hillside hectares of cherry trees, table and wine vineyards, marrows and beans, laying out after work with draught animals. They now work by Rolland, his son.

"When, like Aimé, I was finally able to change my life, it was a tractor," Robert mused. "I thought: 'At last! Life is going to be better.' But it wasn't. We had to work all the much harder for the tractor and stay competitive with everyone who bought it. The progress was technological, not social. It wasn't progress at all. It was not even technological logic any more. Through the '60s and '70s, the harder you worked, the more produced and the greater your return. It didn't work like that now."

W e trudged the soggy winter hillside, mud sticking to our shoes. "Life has been getting increasingly difficult for 10 years," Robert went on. "Every year, production insurance, farm machinery, insecticides, packaging, transport, cold-storage charges. But, in the same decade, the prices we have been getting for produce have stayed the same, or fallen. In mathematical terms, it is simple - we can no longer make a profit from what we do. Our concern now is just surviving."

Could things be that bad? Talk to Rolland, Robert urged me. We found him, thin and wiry, pruning in a vineyard. In the summer season, he is on his feet and running from 4am until 10 at night. Now, in a slower season, he had time to talk.

After Rolland took over the farm from his father in 1980, he worked it with his wife, Josianne. They could not afford hired help because of high social security contri-

butions. In spite of saving, they little headway: in the mid-1980s, each earned FF16,000 a little more than a month - just enough to re-invest in the farm to keep it going.

Four years ago, things got so bad that Josianne had to take a job in town to assure a family income. Rolland created a farming partnership with his cousin, Daniel, and they began working the land together. Last year, each made FF5,000 a month. The same sum that Rolland and a son. They can no longer afford to work.

Rolland was something of a radical in his youth. As a Marxist militant, he used to take part in roadside ambushes of highway carriers carrying cheap Spanish wine. Emptying them was a way of protecting the French. Today, like all Chauvin's, in rural politics - they have had entirely different payoffs.

Now he believes any longer markets can be protected by crude means. He the problem of falling local prices is a complex one with worldwide causes: cheap agricultural imports from third world countries with low wage and social security have made his own produce uncompetitive.

Raising trade barriers is the answer

Rolland: in the end, he believes, only global commerce will end global imbalances. Nor are EU subsidies an answer. At his level of farming, he said, they make up only the shortfall in price. Breaking even not a centime of new investment; inevitably, farms run down and go broke. Already, Rolland knows of seven farmers in the area who have given up and are doing garden work for foreigners with holiday there.

Rolland cannot leave the farm for another job. It is the only thing he has ever wanted to do, and he believes Provencal small farmers might eventually succeed in a market not of quantity but of high quality. In the meantime, he says, something must change.

Gerard, though, is not quite sure what are possible. "I don't see the solutions peasant and the frustrations that come with it. Economically, I

am not there are any."

His real worry is the political fallout: in years in the Resistance have given him an uncomfortable perspective. "Every day, we live in greater uncertainty. I have it before. It is an atmosphere of a certain mentality - I am a resurgence of what I fought against in the past. I thought I would have fascism again."

Passion for the land at Les Jeans-Jeans

I am feeling low, but three minutes further down the road, I cheered up. Les Jeans-Jeans is another tiny hamlet filled with the offspring of yet another of Chauvin's sons, Gaston. I arrived in time for lunch.

The Chauvin of Les Jeans-Jeans are a gregarious lot, with generous hospitality and a great appetite for good things to eat and drink. They have had their share of human tragedies and farming disasters, which could be why they find comfort in sociability. One can not stay a stranger there for very long.

Chauvin, a vast man with a great, biblical beard, talks about the land, he shows as much respect for life as his grandfather, Jean, did. Unlike his cousins, Rolland and Daniel, he keeps a herd of goats. He is concerned about increasing regulation of life by the EU. He nightmares EU on unpasteurised cheese, which would wipe him out. But, for the time being, there is a good market for high-quality French goat cheese, and it allows Gerard pursue the only he about.

meal and endless glasses of home-made muscadet, he walked out through the fields towards the tinkling sound of goat bells. It was for much of afternoon - about goats, mountain trout fishing, sausage-making, hunting dogs, liquor stills, rabbit habits, delivering baby calves and much more besides. Gerard things with a passion.

I was somewhat reassured. If there were still people like that, I thought, peasant life in Provence might survive after all, in one form or another.

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FOOD AND DRINK

A nicer crowd in Hitler's old haunt

Weimar is unique. Elsewhere in Germany — Italy there are small towns filled with palaces, but none has the literary atmosphere of Weimar. Almost everyone who is in German literature spent some time there before it became their permanent home.

In spite of a couple of American bombing raids in the last month of the second world war, their relics are still there: you may still drop in on Schiller in the morning, before lunch and visit

under the old East German regime. Weimar enjoyed special privileges. The presence of the National Theatre made it a sort of German Stratford-upon-Avon. Those who went often compelled by the vagaries of East German transport to stay the night. Unlike other German towns there were plenty of places serving in Thuringia.

Now what we now call the change, the improved beyond all bounds. Arriving in a bound Weimar between Christmas and the New Year I dropped in on the Weiss-Schwan, the restaurant which stands next to his house on the Thuringian.

One was a gastronomic that included among the country's "best tables". I certainly enjoyed a meal with a fine, crunchy consistency, served with Thuringian dumplings and Savoy cabbage. There is even, in the shadow of Weimar's church, a restaurant which does a different things to herrings.

One newcomer with a distinctly western influence is the Zum Bock in the Taigasse. The owners bought this old building for a song a couple of years ago and turned it into the town's best pub-restaurant. The food is wholesome and unpretentious. I had my Soljanka — a spicy potion from the Ukraine introduced to the East Germans by the Soviets. I think that will be the only positive thing about the new主人 behind. I enjoyed the soup with a good, earthy, pork knuckle.

Another place where one may eat local specialities is in the Elefantenkeller on the Market Square. Here the food is more refined, and the vaulted cellar with its stone arches is

rather an impressive setting. Here is the place for red lentil soup and Thuringian Bratwurst with mashed potatoes. Wines are in 20cl jugs.

The Elefantenkeller is underneath the Hotel Elefant, one of two famous old hotels. The other is the Russischer Hof on Goetheplatz. But, while the present owners of the Elefant have spent millions of putting the hotel back on its feet, no such changes have been taken place in the Russischer Hof. The menu in the main dining room exhibit some of the trappings of "modern" German cooking, but the drab decoration, the coffee, juice and above all, the sharp practice of the waiter in the breakfast room, are still grateful that I am paying that little bit more to stay at the Elefant.

With the Russischer Hof and the

Giles MacDonogh visits a Weimar hotel with colourful past

Elephant is filled with fabulous pasts; but in one century it is the Elephant's story which has been richer of the two. The reason is simple enough: the Elephant is Adolf Hitler's favourite, and it still bears the stamp. In the early years Hitler stayed at the Elephant and nothing changed after he gained power in January 1933.

On Schiller's 175th birthday, November 10, Hitler arrived to sit down to look at his flat overlooking the garden at the back. When Hitler was seen him he purloined a little Cranach from the museum to hang in the room. "Giesler, the name is fitting. It is not just a hotel, it is a house in which I am happy to live."

The Elephant has not changed much, except that there is a larger crowd of people there these days. In clearing away the debris of his past, the new owners — Flamberry — unwittingly pointed to the Giesler Hitler creation: the black marble carvings at the portals have been put back. Even in the hallway add to the feel of the place. Only here there is a little of that art which Hitler would have called "degenerate" has been hung on the walls. In the main hall, a black marble cube, comic strip from Wagner's Ring have been painted on the panels of what is now called the "Ring Wagner".

It was there that I spent new year's eve. At first with an elderly couple, she from him from Oppenheim. Then I was moved to a room occupied by three strong silent types from Dortmund. Hitler decided that the old should not be restored, he replaced it with a new building designed by Hermann Giesler, architect of the Adler.

It is well known that Hitler was passionate about architecture, but just how large a role he played in the design of the Elephant is revealed in Hitler's autobiography.

The architect was summoned to

Berlin to receive the commission. Hitler wanted a modern hotel "which reflects our feelings about life", he said. It had to have a large hall, dining rooms and, facing on the garden, a large, light breakfast room which could be used for parties and be together in the hall. The hotel was to have all the "requisite comforts" ... it should combine elegance with solid material in all details," said Hitler. It was to be up-to-date hotel with lifts, and telephones and wireless in every room.

Turning to his architect he said: "Saukel, make sure that the prices of the rooms remain low. Even if I don't drink myself I feel a hotel bar is necessary. It could be placed in the cellar. It is without saying that there is a cellar restaurant with my own kitchen for preparing simple meals."

Hitler demanded that the Elefantenkeller should be removed from both the hotel and the town. It still is.

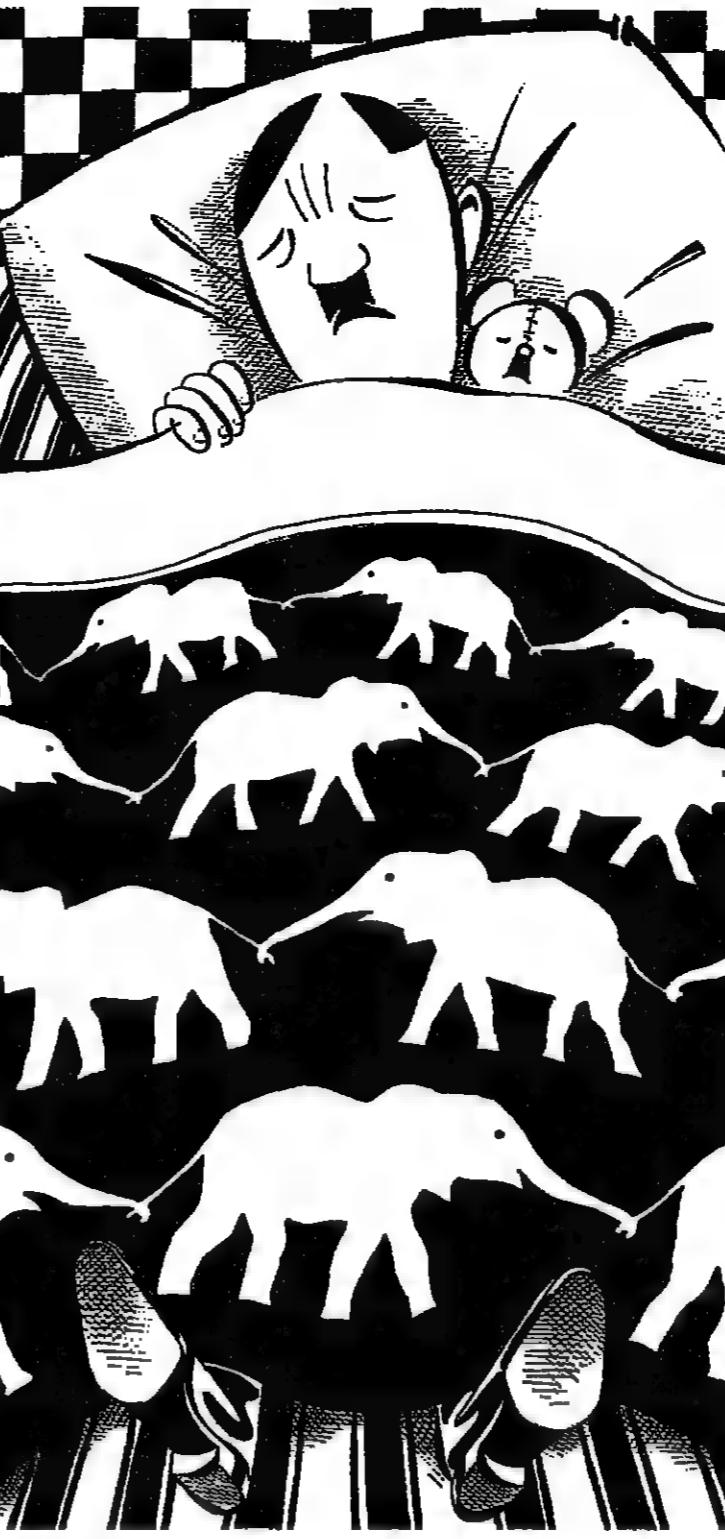
The new "Haus Elephant" reopened its doors in November 1993. Hitler came down to look at his flat overlooking the garden at the back. When Hitler was seen him he purloined a little Cranach from the museum to hang in the room. "Giesler, the name is fitting. It is not just a hotel, it is a house in which I am happy to live."

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midnight I went out on to the balcony where I hector the crowd in the main place. But on January 31 1993 we put it to bed as we watched the festive fireworks break over Weimar's night sky.

It was a late night. When I found that the hotel had left a tray in my room. On it I found a bottle of mineral water, a small bottle and a little, pink marzipan pig. "The pig brings good luck," said the Dort-

had told me, I could see it anything for my stomach. The new owners of the Elephant were to play down their links to Hitler and instead to remember the other who graced the hall and public rooms: Goethe, Schiller, Liszt, Richard Wagner and Thomas Mann; but it is the elephant that is part of Weimar's extraordinary story, and they should make an elephant never forgets.

What happened to taste?

Jancis Robinson is scornful of the wine world's trend in technotalk

tors, with big, full-bodied, obvious wines.

His note accompanying this year's invitation, however, highlights a new trend among wine commentators. If not quite (yet) in wine commentary.

He says: "There have been making wine in Britain for 2,000 years, but they have generally been confined to the cellars, allowed but only now a year in order to discern that the

vintage is the best they have produced, before being returned to obscurity for another 12 months.

"We have learned that modern communications require that they reveal at least some of their trade secrets. We have four highly proficient wine makers in our stable, so we are bringing them all to London for our annual tasting."

He is no fool, this man. He is pandering, in the best

way possible, to the fact that over the past two or three years writers have increasingly boasted with what one might call the language of wine.

People who, in the main, are only too proud of their innumeracy, or their grade nine in physics O-level, now pin oenologists against the winery wall and quiz them for hours on about fermentation temperature gradients, numbers, strains,

and the proportions of free-run juice versus what came out of the Willmes — what it is — press. Oh, and what setting was the press on? I know this, because I do it myself.

What come over us all? We can use only a fraction of this information in print but, collectively, we seem to be suffering an epidemic of Need To Knowness, rather like the general newsgathering

that there has been a Winegate. We are doubtless acting under the influence of all those highly trained New World technicians who have the inclination to technotalk for an evocation of personal philosophy, and the need to impress it in historical contexts.

It may help to know, for example, what the total acidity of a wine is, but in most cases it is important in how acid it is, rather than no technotalk at all.

It is good for a return to the mid 20th century school of wine writing

in a book such as *Way*

Tendrils of the Vine and Stay With Flagon.

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was in London this to promote Austrian wine in the major cities planned for the spring in the Cafe Mediterraneum, St James Court Hotel, Buckingham Gate, Westminster, SW1. Lackner's touch which can be despairs of amateur chefs — sauerkraut and dumplings — name but two — is light and sure. If you think Austrian food is all about hearty soups and one-pot dinners then this will be an eye-opener. Lackner, of the Die Gersberg Alm in Salzburg, will cook at the Mediterraneum from March 7 to 11. Tel: 011 811 1111.

Appetisers

son's. I neglected to mention that I have been scouring their local supermarkets for an alternative to Gordon's. All of the gins I have retained the standard strength of 40 per cent. Without a proper London Dry, but I found another, cheaper gin in the subtlety of which he has expressed exasperation over what he perceives as an situation, on the part of wine-buyers and commenta-

I have spent a lifetime in the whisky industry and always, my dream is to create a new single malt. This dream about to be realised at Lochranza, where building the first legal distillery on the Isle of Arran for 150 years.

What will Isle of Arran single malt be like? It has been said that when whisky was last on the island all those years ago, it was claimed to be the best in Scotland.

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FASHION

Hello country cousins

What do you need to wear to avoid looking like an untutored townie?
Avril Groom advises on how to dress for the great outdoors

The country in town has been a source of fun for centuries, from *Country Wife* to *Tom Jones*. Now has been made of the situation but now the wellington is on the other foot. Increasingly insulated from rural reality, the town mouse is likely to make sartorial mistakes when faced with the countryside.

Country dressing has changed which slowly changes and no longer fit the townie's stereotyped vision. The man of a few End country outfitters who divides his time between London and shires may see far more khaki wax and loden in SW1 than in Wiltshire.

The aims of country dressing are to keep warm and dry, and to merge discreetly with the surroundings. There are several ways of achieving this but all the same principles - the build-up of practical layers is very dependent on the weather.

So far, outer layers have mostly exercised the minds of technical experts. A membrane of waterproof "breathable" Gore-tex dry-cleanable Sympatex now lurks, efficient, inside both traditional shooting parkas and padded parkas.

Tough, Goretex-lined parkas have threatened the concept of *country* though traditionalists still swear by heavy "farmer's weight" wax or real rain and thorny terrain, and more colour variety has given these coats a new lease of life.

The waterproof jacket which Timberland pioneered now makes as well as new ways of keeping dry through the wetting and drying are being developed.

The inner layers of all-weather clothing are coming under scrutiny. Cotton flannel shirts are popular to provide warmth and shelter away from the body, but they are bulky. Wool flannels are being applied to cotton flannel to wear as under-layers. Wool thermal under-layers have also evolved, with finer, lighter fibres, such as silk-feeling Tactel, and a higher aesthetic factor.

In fashion's layered mood everything can be mixed and matched, with the result being a lace-edged fine-knit "body" -



Her - navy cotton/polyurethane padded coat, £274.99, *Woolmark* cardigan with trim, £115, brown cord trousers, £115, all from PTA, Lakeside, Thurrock, Essex. (071-437-8569 for outer stockists). Red wool tartan jacket, £145, scarf, £25, all from Pringle from Simpson, Piccadilly, W1. Cotton shirt, £11 from Ralph Lauren, New Bond Street.

W1. Hat, £15, boots, £115, both from Timberland, New Bond Street, W1, Harrods, SW1 and Austin Reed branches. Gloves from Dents, £15.50 from Simpson. Socks, £3.50 from Sock Shop.

Him - green and navy double waxed cotton and flannel parka by Gant, £315, blue scarf by Invertére, £49, belt from Simpson. Navy wool sweater,

still-bulky, heraldic-looking jockey's jumper, a soft tartan jacket that conveys a sense of backwoods US.

The popular Navajo-style mix of jackets and denim needs sleek, plain suede or Aran-pattern knits to stop looking like the costume for a B-movie version of *Hawkins*.

The swathes of knitted layers, mostly cashmere, which the rich favour for country walks in subtle mismatched neutrals and contrasted with a coarser-textured, bulky overlayer to have the sharp edge of current fashion. And twills, flannels and tweeds of English country-house style shape with a

palette of rich autumn shades and a touch of tartan or lumberjack check.

The quickest way to spot a tormented townie is by the feet. Fine leather shoes well-spattered with mud are inappropriate. People whose dress code demands polished leather may choose Sam Walker's shiny but water-repellent brown boots, or Cole Haan's robust but elegant-looking styles. The more rugged still choose Timberland or even tougher French Paraboot, foot gear of the French Foreign Legion.

Hair, make-up: Michelle Marsh. Pictures: Tony. Some featured on page 16 and availability cannot be guaranteed.



Her - brown wax cotton coat from *Woolmark*. Red padded cotton/polyester jacket by *Woolmark*, £35.99 from Westaway and Westaway, 180 New Bond Street, WC1, Sogo, Haymarket, SW1, Jenners of Edinburgh, 100 Princes Street, Edinburgh, and Wick House, Malvern. Yellow check wool waistcoat, £75, cashmere scarf, £45, both from Russell and Bromley. Gloves by Dents, £26.99 from Saffronwold, and Adeney, Piccadilly, W1.

Him - olive, rubberised cotton mac, £450 from Alfred Dunhill. Cinnamon rubberised jacket, £129, wool sweater, £85, wool scarf, £14.95, all from Austin Reed. Yellow check cotton shirt, £26, mustard cord trousers, £50, both from Gieves and Hawkes. Tweed cap, £27.50 from Simpson. Boots, £75 from Sam Walker, Neal Street, WC2.

the exploration of the links between the present and the past that makes this exhibition so illuminating.

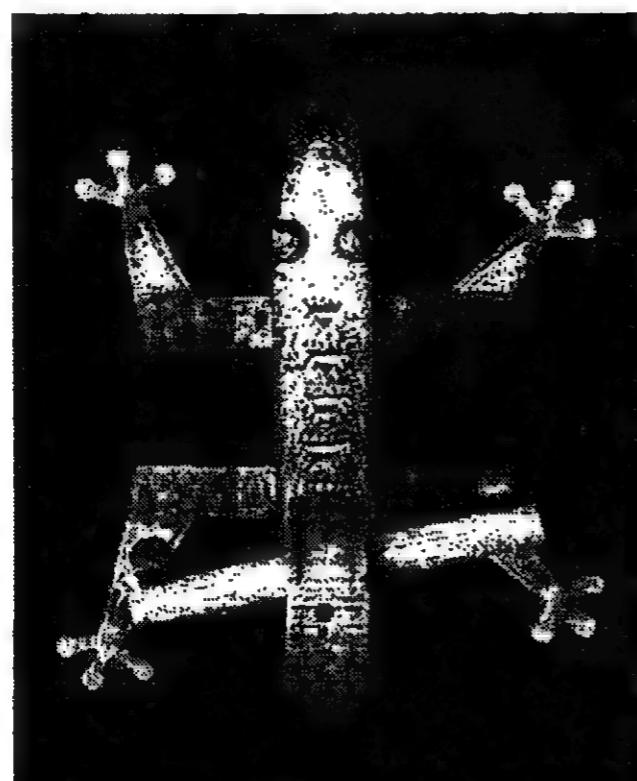
The carving of wood for use - it is a buttercup-maker in Somerset, a stirring spoon in Zimbabwe, a drinking vessel in Indonesia, an old printing-block in India - goes thousands of years but it gives joy to the love and skill which have brought their craft.

Here, too, a chance to cross much grander work - pieces by such luminaries of the craft scene as Gimson, Sidney, Ley, Eric Sharpe, George - as well as what is probably, for scholars of the past, the highlight of the exhibition, the panel by Grinling Gibbons, whose work in the late 17th century marks the apogee of the craft.

It divided sections, encompassing architectural applications, furniture and fine woodwork, the home (food and drink); the personal effects; recreation (outdoor life and music, games and toys); and trades, professional and crafts. And it gives a wide-ranging and comprehensive



'Fish' love-spoon by Mike Devine, featured in the exhibition



A chameleon coat-hanger carved by Fiona Clark, which falls into the weird and witty category

view of the craft, from the 17th century (Grinling Gibbons' panel) to the present day.

Wood carving that is almost over-blown (a mahogany candlestand, unknown provenance); see it weird and witty (Howard Raybould's mirror, Fiona Clark's chameleon coat-hanger, Cox's International sound box); we stream-lined (John Makepeace's rhythm chair); see it friendly and private (the kitchen and domestic utensils).

Those who are devotees of Guy Taplin will be pleased to see one of his boldly carved ducks.

If you favour a strong temporary air you should look for furniture - wood-

unknown sailor, a snuff box made by a blind man, David Lewis' potato masher, a small print roller, and a gin-gerbread mould.

My favourite work in the whole exhibition, though I long to have and keep, is a late 19th century malt shovel, lovingly carved and exquisite in its simplicity.

This exhibition is a timely reminder that simply things have a utilitarian role to play in life there is no reason for them to be ugly - rather the reverse is true.

Because they are the essential elements of everyday life, it is clear that they have an inherent aesthetic appeal. The spoon that we use every day, the door we open at the time, the food we hang our coat on, the box we keep our trinkets in - these should be functional, witty, charming and dramatic matters.

But for these simplest means to end. The chance to celebrate their craft has been taken and taken to the greater enrichment of us all.

Woodcarvers Craft on the Usher Gallery, Lindum Road, Lincoln LN1 1NN on January 30 (until April 1) after will go to Bradford in the Yorkshire, Glasgow and, finally, Hove and Sussex.



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LydP

The first big-name designer

Lucia van der Post visits an exhibition which harks back to a golden era

A collection of work by CFA Voysey, one of the most famous designers to embrace the philosophies of the Arts and Crafts movement, will be on display at the Design Museum in west London Monday.

Voysey was possibly the first of the big-name designers, Sir Terence Conran of the day, furniture, glass and cutlery - and most of all his designs for wallpaper and textiles for Morris & Co - came as sought-after and easily recognisable to turn-of-the-century shoppers as pieces by Philippe Starck and Magistretti are today.

He worked during a golden era of design when the whole of Europe looked to Voysey and his friends - including George Walton, Knox, Ernest Gimson and C.R. Ashbee - were up

Voysey's interest and importance may well be beyond the designed pretty things. He approached his work in a profoundly serious way, believing in individual creativity, even idiosyncrasy, greatly - as matter of personal preference - because for him it was an integral part of a civilised community.

□ □ □

He saw it as a means of keeping soul-destroying standardisation and bureaucracy at bay. It went with having the courage of one's convictions, with having a sense that was incorruptible and absolute.

He is generally credited with being the first to consider the importance of the complete design, "designing inside outwards", believing in a house, for instance, as a composite whole and that the building, the interior and all the minutiae which make it up should work harmoniously together.

Thus he liked to design everything from the building to the light fittings, cutlery, carpets and furniture. A house for him, far from



An interior by Voysey from the exhibition at the Design Museum

On show at the Design Museum will be his architectural drawings, furniture fittings, fabrics, wall-hangings and objects as diverse as telephone boxes and gas fires.

The exhibition, from the private collection of a family member, is sponsored by B&Q and on at the Design Museum, Strand, London, SW1, 22nd January to April 24.

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TRAVEL

Quiet times for Egypt's King Tut tat sellers

Hearing where I spent the new year, people will be with the kind of respect due to someone who has just come back from Bosnia. "You went to Egypt? Wasn't that dangerous?" We demur. Ten days in Cairo, Luxor and Aswan were fascinating and unforgettable. Yes, we would like a shot.

Not that this is the happiest phrase, given the prevalent view of Egypt as a country in the grip of those who shoot anyone in a swimsuit. It has been a disastrous period for tourism. Egypt's second most important currency earner. On December 27, while there, the serious attack on tourists to took place when extremists bombed and fired on a coach carrying Austrians in old Cairo.

Meanwhile, in Aswan, congratulating ourselves on our prescience. At the new and comfortable Island Hotel, hovering waiters outnumbered us. It was the heat of the afternoon when a handful of sun-worshippers lay in the Winter Palace's pool. The moon was full, and there seemed to be no honeymooning couples under the royal palms which witnessed King Farouk's indiscretions.

For a century, tourism has been the life-blood of a town such as Luxor. Now it is for the sellers of King Tut tat to draw on their waterpipes. The need for detection and, we can tell,

When we took a walk in a *felucca*, the captain made us sit in his private stow. Suddenly he stood up and announced that he scared away the "bad men" who had scared away the tourists. "I will catch them and them with my teeth!"

Luxor and Aswan have foreign luxury hotels to suit all pockets, although for elegance and architectural distinction the Cataract Hotel in Aswan is unsurpassed. Whether hotels have started in five, though, they are all short of guests. As the price of a room and say they are not.

It is peak season and, even now, Karnak, Thebes and the Valley of the Kings are far from deserted, especially if you dawdle in the morning or coincide with

cruise ship. The plan, for mature travellers with a sense of humour, is to reject organised tours and travel independently. From Luxor, Aswan, it is possible to do all the major sites with guides hired through local companies, or to do them alone. Around 7pm, you can hire a taxi from Luxor, it is almost banal to enthuse about the monumental remains of the pharaohs, Romans. In the Cairo suburbs there are the Giza pyramids with the astoundingly elegant Barge of Cheops - skinned by tour companies. There is Memphis and the majestic stepped pyramid at Sakkara.

In Upper Egypt, time in Luxor

where, last October, in falling

revenue, Tutankhamen's tomb

Nile "like East Anglia with the form and face of Provence". It is a richly beautiful landscape, utterly engrossing to watch. Egrets slowly perch on the lemon trees. There are palm trees and pigeon roosts, water buffalo and camels which sway laden with sugar cane.

Village houses are made of mud and in kilns. If their donkeys made the pilgrimage to Mecca, they paint scenes from the journey on the walls. Electric pumps send Nile water gushing into the clover and *shaduf* (buckets on pivots) and Archimedean wheel are still used.

The *feluccah* family has six children, which explains why there are many people. Women squat washing clothes and

more extraordinary still was our visit in Cairo's *zababida*. By lunchtime, the Japanese and Arab visitors had gone, giving a parting gift as they passed. That left us almost alone in the upper galleries, where after displays the Tutankhamen finds, his chariots, sandals, linen, furniture, throwing sticks and perfume jars.

It is that our persons at marginally greater risk in Egypt rather than in rain-sodden London. (It last rained in Aswan four years ago.) Our choice, however, was to believe people living doing business in Cairo who insisted on Egypt's reputation as an unusually safe place for foreigners.

Strolling in the evenings completely safe succeeded in avoiding gastric misery by eating conservatively in only first-class restaurants. The most unpleasant experience was a glass of Omar Khayyam's rose - Egyptian wine.

All the guidebooks comment on Egypt's warmth and friendliness towards foreigners, and they are right. The commonest word is "welcome". One of the most common is "baksheesh". Children in the beggars, the need to be for tipping, and the street hassling. Instead of letting these customs under your skin, it is better to ignore them as an inconvenience than compensated for by the Egyptians' good and love of a joke.

After all, it is Egypt's Islamic traditions which make a holiday there such a rich experience. Installed - pious Egyptians frame every future wish - I will return to the Nile. As for the temples, the best time there may have been now.

Patricia Morison's trip organised by the Egyptian State Tourist Office: 11 Piccadilly, London W1. Tel: 071-493-5282. She flew Egypt Air to Cairo, Luxor and Aswan, and Cairo stayed at the Rameses Hilton, which is quiet and central.

Sightseeing and shopping are best by using the New Tour Maps of Cairo, available each from the French Bookshop at the Arc de Triomphe, Paris W1, tel: 01-5360.

The best time to see Egypt's temples may have been now, says Patricia Morison

reopened in the Valley of the Kings. Then the temples of Karnak, Luxor, Abydos - the head of Osiris was said to rest - Dendera, and others.

Aswan is prettier, a small town where you are for visiting the temples removed from the bustle of the high season. It is small and, now, uncomfortably crowded. At the other end of the dam, the people of the Nubians, a family of cattle, still plays in the sanctuary of Marib. Further upstream, the principal Islamic monuments

architectural Tulum, the exquisite Madrasah of Sultan Hasan and the noble mausoleum of Mausoleum in North Cemetery. Egyptians appear totally relaxed about non-Muslims in providing they are modestly dressed (no shorts) and their shoes. I would always wear a head, too, although many Arab women did not.

Even in seething Cairo, it was obvious how a time it was to go sightseeing. At the Great Pyramid on a Friday afternoon, foreigners were outnumbered by Egyptians picnicking in their best clothes.

It is only possible to imagine what the ancient mystery cults might have been when there is silence in the huge temples. Peace reigns in the huge Ptolemaic temple of Hathor at Dendera. Where for centuries people came from all over Egypt for the year festivities.

Figures appear from the shadows,

muttering the names of deities until paid off with a note or two. On the temple's massive roof, it is completely quiet and one sits in an hour or just a few minutes between barren desert and cultivation.

In his book, *Land of the Valley*, Faden described the

making bread. Children jog past, two or three on a donkey, with tourists and dromedaries darting in the road. Driving is the Egyptians, particularly at night, the practice to switch off headlights and then flash them wildly on oncoming traffic.

The contrast between upper Egypt and Cairo, traffic-choked, squalid and chaotic, could not be greater. Yet Cairo also has to be seen. We found four days too short. Its medieval heritage is one of the most impressive of any city in the world, although shamefully neglected by the authorities.

Its principal Islamic monuments

are the

mosques in the North Cemetery. Egyptians appear totally relaxed about non-Muslims in providing they are modestly dressed (no shorts) and their shoes. I would always wear a head, too, although many Arab women did not.

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sightseeing. At the Great Pyramids on a Friday afternoon, foreigners were outnumbered by Egyptians picnicking in their best clothes.



an alabaster vase at a shop near Luxor. For a century, tourism has been the life-blood of the town

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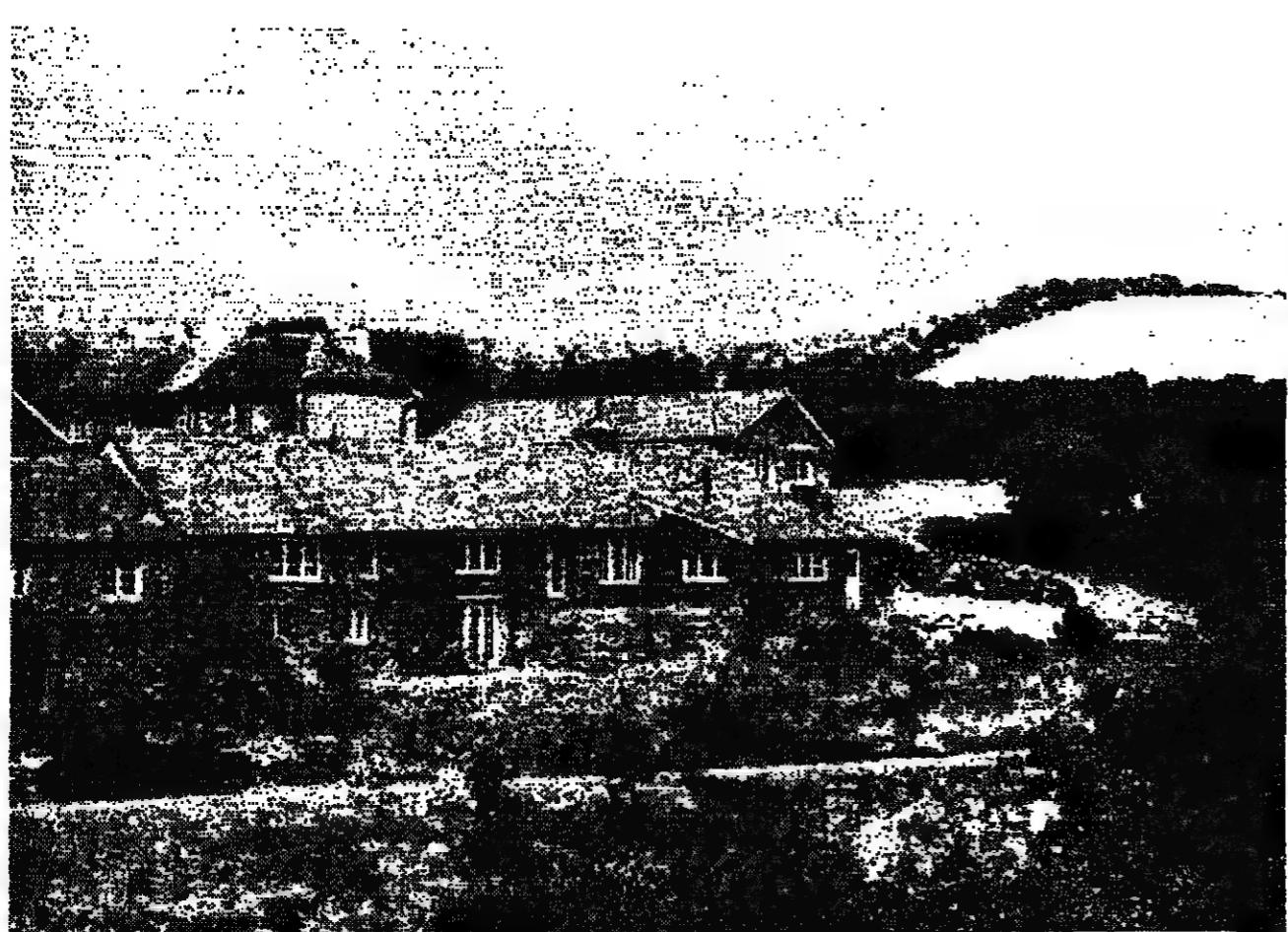
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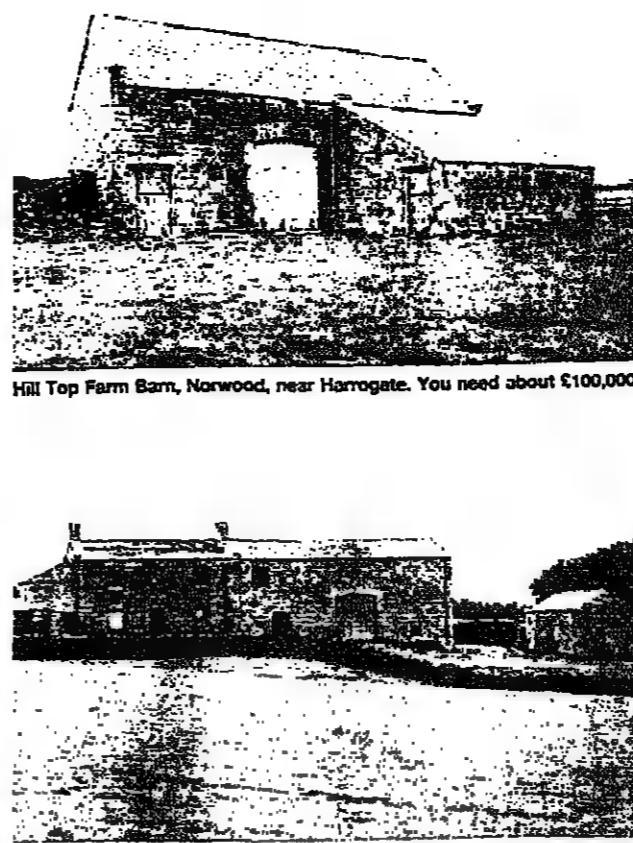
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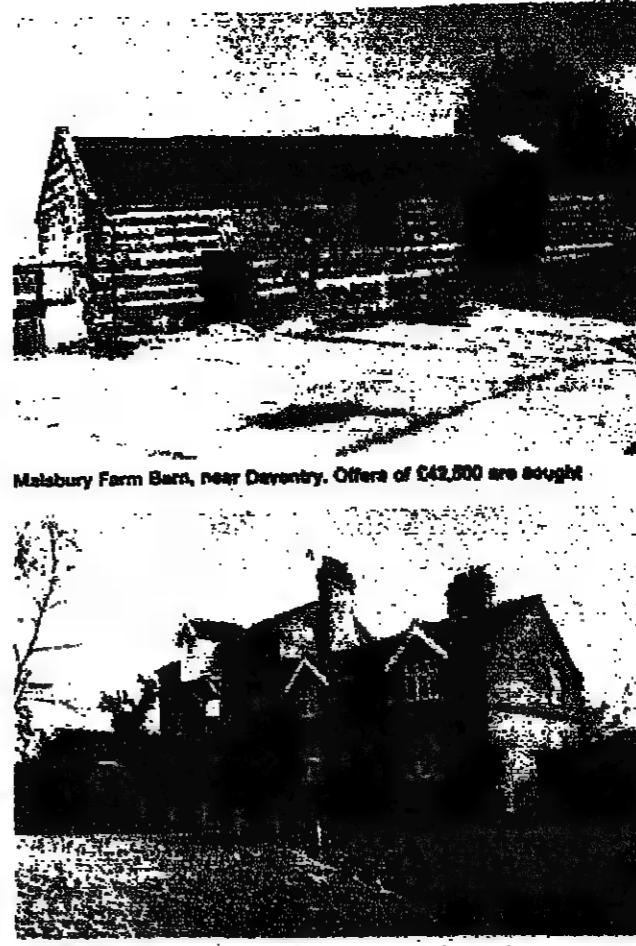
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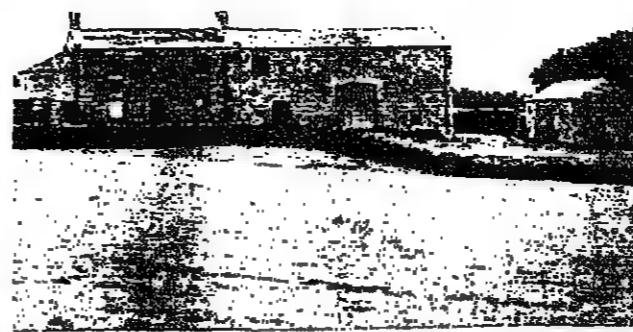
The Byre, near Dittisham, Dartmouth. But do you have £177,500?



Hill Top Farm Barn, Norwood, near Horrogate. You need about £100,000



Malbury Farm Barn, near Daventry. Offers of £42,500 are sought



Craddock Farm, Thruscross, Yorkshire. Around £135,000 is being asked



Sopwell Mill Farm, near St Albans. Strutt and Parker seek tenants

Farmer Richard Carlton looked at his barn. "There is only a horse in there," he said, at Lower Farm, in the village of Bucknell, near Bicester, Oxfordshire, half a barn away from Marketing, a property letting consultant company.

The other is soundproofed - half a new and soundproofed Gramophone Company which remasters golden-oldies from scratchy 78 rpm records to make compact discs. Across the yard, Carlton is converting another barn and he has more to tackle.

Carlton's are nothing special in themselves - many barns are buildings, but Carlton's. They are small house modern farm machines are not really needed for the farm: the horse had been built on a milking parlour in the 1930s and Carlton now keeps cows. So he sought an alternative use for them.

He obtained outline planning permission to convert one of the barns into a house but as it was the closest to his farmhouse, he was eager to sell it. Holiday lets were as good an option in north-east Oxfordshire as they

might have been in the Cotswolds west. Nevertheless, he eventually converted other buildings for holiday lets.

He was to create industrial units for letting. Although deep in the countryside, Bucknell is just three miles from Junction 10 (where a service station stands). And Cherwell district council liked the units. If they would bring in an area badly hit by the departure of the Air Force from Upper Heyford, and would avoid adding to the stock of local dwellings. And, as the barns and farm are in the village area, they would not distort the traditional pattern of self-contained villages separated by fields that planners try to maintain.

When he started NMA arranged the let through Offen, Carlton's agent, and the Offen to its own specification. NMA in just

Christmas. The will enjoy the benefits of a roomy office with high ceilings and windows that look out over fields.

Next door, Glass Gramophone asked for plenty of soundproofing in its recording studio. Nothing must disturb its work of cleaning the sound by removing the hiss, crackle and disc by artists such as George Formby and Duke Ellington.

Carlton is pleased with the result although he admits it is strange having neighbours on the farm for the first time in many years.

Barns are, of course, commercial buildings. They were never intended to be homes and often do not convert well. For example, how do you put windows into long, blank walls designed to keep the elements away from the produce stored inside? How do you introduce an upper floor? Or what

is, in effect, a great hall? In the 1980s, when buyers snapped up every manor, farmhouse and rectory in the country, barns were easy substitutes. Old and substantial, and as rooted in country life as seed-time and harvest, they offered instant heritage. But there were have plenty of conversions.

Besides offices, barns make fine workshops, theatres, halls, dance halls (real barn dance nights are back), restaurants and tea-rooms. All these can keep the excitement of the building's space and height, which is difficult in a barn made into a three or four-bedroom and two-bathroom house. But

objection planners may have to commercial use is a lack sufficient parking space.

Isolated barns are especially difficult. Some district councils will allow conversions where the property is in the middle of fields. It should they be left to

less ruins? Or dismembered for their stone and slate? The sentimental may yes, either may be appropriate. If a barn does not have a cottage attached, planners have justification for a green-field single development breaking the habitation pattern.

Costs is also a factor: an isolated barn might need a long, solid drive and utilities are expensive to install over long distances. Councils also fear the barn-house might be the thin end of the wedge: applications for a tennis court or a swimming pool may follow.

Not all councils are purist about isolated barns. Some retain a building's character. English Heritage might become involved if the building is listed and in principle the organisation prefers commercial or community use to residential.

Whatever use, buyers should check with councils on what is

allowed, and whether residential planning permission could change to commercial or vice versa. It will almost certainly have obtained outline permission before putting the barn on the market.

Besides the units at Bucknell, three studio workshops in old farm buildings at Tresprin near Holton in Cornwall are available from Philpott.

Yorkshire Water is selling several barns and farm buildings isolated in the glorious country of Wushburn valley near Harrogate, in Yorkshire, through joint agents Debenham Thorpe and Dacre Son & Hartley. Prices start at £25,000. They need work but could be a good buy for tele-workers who require only a fax and a modem, and would like to be in the conversion themselves.

Lane Hill is a listed barn in the village of Merton Pinkney, built in typical

Ambercombe style of alternating courses of light and dark stone. A timber tithe barn, at Etinghill, near Folkestone, Kent, comes to auction on January 28 in Maidstone. Auctioneer Clive Eason expects it to sell for about £85,000. At West Marden, in the South Downs, Sussex, a brick and flint barn is available for £28,000 from Jackson-Stops. Its strict planning permission runs out in December.

Converted barns on offer include a timber barn at Pakenham, near Bury St Edmunds, Suffolk (Bedford, £27,000), and a group of farm buildings at Church Farm, near Castle Cary, Somerset (Jackson-Stops, Yeovil, from £140,000).

Further information: **Barns** St Edmunds (0386-759999); **Barns** Hartley, Oley (0843-463321); **DTZ** Debenham Thorpe, Wetherby (0372-583987); **Clive Eason**, Bexhill (0628-630039); **Jackson-Stops**, Chichester (0243-862222); **Yeovil** (0938-577332); **Lane Hill**, Banbury (0895-873552); **James Offin**, Lichfield (0544-532222); **Philpott**, Helston (01736-822222); **Strutt** & Parker, St Albans (0727-840285).

In search of a country living

Do you want a rural lifestyle? Gerald Cadogan looks at barns and farm buildings

might have been in the Cotswolds west. Nevertheless, he eventually converted other buildings for holiday lets.

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is, in effect, a great hall? In the 1980s, when buyers snapped up every manor, farmhouse and rectory in the country, barns were easy substitutes. Old and substantial, and as rooted in country life as seed-time and harvest, they offered instant heritage. But there were have plenty of conversions.

Besides offices, barns make fine workshops, theatres, halls, dance halls (real barn dance nights are back), restaurants and tea-rooms. All these can keep the excitement of the building's space and height, which is difficult in a barn made into a three or four-bedroom and two-bathroom house. But

objection planners may have to commercial use is a lack sufficient parking space.

Isolated barns are especially difficult. Some district councils will allow conversions where the property is in the middle of fields. It should they be left to

less ruins? Or dismembered for their stone and slate? The sentimental may yes, either may be appropriate. If a barn does not have a cottage attached, planners have justification for a green-field single development breaking the habitation pattern.

Costs is also a factor: an isolated barn might need a long, solid drive and utilities are expensive to install over long distances. Councils also fear the barn-house might be the thin end of the wedge: applications for a tennis court or a swimming pool may follow.

Not all councils are purist about isolated barns. Some retain a building's character. English Heritage might become involved if the building is listed and in principle the organisation prefers commercial or community use to residential.

Whatever use, buyers should check with councils on what is

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SPORT

Sailing

Racing 4,000 miles to a photo-finish

The third leg of the Whitbread race ends today. It will be close, says Keith Wheatley

During the past three days the Tasman has been almost a psychiatric ward for sailors. The Whitbread fleet has converging on Auckland for probably the tightest finish of a single leg in the history of the race. Competitors are just a few miles from rival yachts, desperately trying another sail combination or a better downwind angle in the hunt for another ounce of speed.

Kiwi nationalism is adding to the competitive spirit. Four of the leading half-dozen boats have either New Zealand crews or skippers. What the All Blacks are (were) to rugby, so the NZ sailor is to professional yachting. Ross Field, in charge of the W60 class *Yamaha*, is a typical example. With 24 hours of racing left, Field was in third place just 11 miles behind the New Zealanders at the helm of *Tolico*. Both yachts are funded by Japanese.

"Tension is rising and we know we've got a boat race on our hands. I get terrified every few hours just as we get a new position update on the computer," said Field over the radio link. Having been fourth in the W60 class, *Yamaha* has had a disappointing run so far but first place into Auckland's spectacular Waitemata Harbour could mean a great deal.

"We are carefully planning the slightest move on deck. Everyone aboard is aware that we can't afford the slightest mistake in either the way we sail the boat or the tactics."

British skipper Lawrie Smith, at the helm of the pan-European W60 entry *Justitia*, is one of Field's tormentors. Several times the satellite race results have shown them in joint first place with an exactly equal number of remaining miles to Auckland.

Since joining *Intum* just a few days before the start to leg two, Smith has

himself capable of finding extra speed in the W60 and still somewhat unexplored W60 class. Just pointing the finish line and trimming the main is no longer enough.

"A top helmsman can knot out of himself in comparison to a journeyman. They are sensitive." Working the helm a bit up and another right up and you'll

"Suddenly you're doing 17 knots rather than 11 and in a six hour period you've had a big lead out of the guys you're chasing."

Smith's analysis certainly good in the first few days at sea after leaving Fremantle. In that period *Winston*, skippered by the America's Cup legend Grant Dalton with the crew including skipper Grant Butterworth, made a brave and bold break.

This time last week *Winston* was in the lead. The lead had been gained by diving south in the first days out of Fremantle. Conner's gamble paid off when his crew found stronger winds on the eastern edge of the Roaring Forties.

However, Smith has justified his reputation as one of the more calculating minds in yacht racing. Choosing his words and tentatively moving a knot or so from the opposition by sailing better angles, he reeled in Conner and then passed him. Yesterday, *Winston* lay second, five miles behind.

Grant Dalton, driving *Winston* with the single-minded determination which is his trademark, played much the same game as *Intum*. However, in spite of Dalton's undoubtedly brilliance he may be too much of a one-man band to do. In the end, as of earlier, he has helmed for up to 30 hours non-stop, but the knife-edge approach to racing has simply taken too long for that to be

possible.

And in the middle of this knife-fight is the maxi-ketch *Steinlager II*.

Although racing in a different fleet to the W60s, skipper Grant Dalton has the most overpowering reasons to want to lead the Whitbread armada into Auckland.

In the end, he was in

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Conner's chagrin and agony behind.

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Poet laureate of the politically incorrect

Anthony Curtis takes a look at the life and work of Rudyard Kipling

"And a woman is only a woman: but a good cigar is a smoke". "Take the White Man's Burden! Send forth the bread..."

It is difficult to think of another English poet - apart from Shakespeare - who has had so many of his lines turned into popular sayings as Kipling's. The most memorable today is the epitome of political incorrectness. Even Kipling sprawls across the Oxford *Dictionary of Quotations* while Donne, say, is in there in three and a half.

The time Penguin gave us an edition of Kipling's - in 1977 £1.25 - was Rudyard Kipling: *Selected Verse*. In Peter Keating's selection just published word "verse" in the title has been replaced by "Poems", and in his critical book that at the same time Keating has forceably that Kipling is a poet, just a writer.

Kipling himself always tried to his poetry as verse to distinguish it from the outpourings of the poets who his contemporaries. In T.S. Eliot began the work of bringing Kipling the poet from the cold by writing about him, by a selection of his poems, he called this *A Choice of Kipling's Verse*, perpetuating the second division term. Kipling's posthumous respectability as a poet comes from Eliot's selection even though Lewis and Clark vehemently demurred.

Eliot's selection was widely reviewed and prompted two important reappraisals, by Orwell and by Auden. They declared themselves as admirers but revealed, as Eliot had done, just how Kipling's poetic in the light of tradition includes Shakespeare, Donne, Yeats, Orwell and the conclusion that Kipling was a "good bad poet".

Auden felt that Kipling's "... have the air of brilliant tactical improvisations to unforeseen unforeseen obstacles...". He also suggested that, despite the amazing variety of material poems present a recurring situation of encirclement "... by inanimate forces. The Picts beyond the Wall, ... the Danes, the Dutch, the Huns, the 'new caught sullen peoples half devil and half child', even the females of the Species."

Kipling's muse began to work overtime

he was a pupil at the Royal Services College in Devon and for the rest of his life it never stopped. His father published his juvenilia in Lahore in 1881. *Schoolboy Lyrics*. Half a century and hundreds of poems later, Kipling published "Storm Come" in the *Morning Post*. In this he the countrymen of threat posed by the resurgent Nazified Germany. Four years later, in 1936, Kipling died.

The present book - Keating is not only a study of Kipling as a poet, but also as Kipling as revealed in his poetry. Keating responded as poet strongly in contemporary times, it is good to know the historical and biographical background. Here Keating, formerly an

RUDYARD KIPLING: SELECTED POEMS edited by Peter Keating Penguin £5.99, 239 pages

KIPLING THE POET by Peter Keating Secker & Warburg £15, 270 pages

English at the University of Edinburgh, in his most useful explanation complement given in 1914 by Charles Carrington in his *Book of The Complete Barrack-Room Ballads*.

Keating, for example, in Kipling's most celebrated poems "The Absent-Minded Beggar". It appeared first in the *Daily Mail* at the height of the Boer War. Its popularity - hugely increased - was to be for the men's wives. Hence the beggar's (the duffer's, the soldier's) "absent-mindedness" about his family's needs is typically ironical touch:

"When you've shouted 'Rule Britannia', when you've sung 'God Save the Queen', when you've finished killing Kruger with your mouth,

"Will you kindly drop a shilling in my little tambourine?"

Keating points to the time when Kipling was living in Villiers Street, by Charing Cross Station, almost next door to Gatti's, of the Victorian Music Halls, and shows how cunningly he adapted the catchy rollicking rhythms of the popular Cockney songsters to his needs.

Keating succeeds in plotting the course of Kipling's life exclusively through discussion of his poetry; but, he says, a peculiar feature of that poetry is how frequently poems were written as accompaniment to Kipling's stories. Whereas writers of fiction had a chapter with a quotation from a poem, Kipling often wrote whole poems to serve as chapter-headings and end-pieces. Several of these then took the lives of their in revised and expanded form.

"If", Kipling's best-known poem, is a prime example of this process. It first appeared as the closing poem to the story "A Priest in Spite of Himself" in *Records and Fates*. Kipling said this poem was based on Dr L S Jameson, leader of the Jameson Raid. Keating sheds a flood of light on many by tracking them back to their places of origin. Both confirmed Kiplingites and those taking Kipling up for the first time are likely to benefit from Keating's work.



Not all of us read Tolstoy every night of the week. Some of us need to read him. My colleague William Weaver, for example, when he writes his work translating floundishly high-brow Indian novels, reads a story for supper.

This is the area where the thriller - when it is an ambitious foray into the art of fiction, as with Le Carre - has the principal, useful and function: to entertain. Usually there is little for reviewers to say about a thriller because of the writers, including some of the most successful, work to a formula. When the new Gerald Seymour (*The Fighting Man*, HarperCollins £14.99) and Colin Forbes (*The Power*, Pan £14.99) in the bookshops the reader knows what to expect and critical comment is usually superfluous. But the genre has a fascination - the unusual, the off-beat, the talent, a new trend.

Some of the best fun I have had this year has come from Wittig Albert, who has produced a

Thrilled to bits by new trends

J.D.F. Jones finds today's private eyes have nothing whatsoever in common with Miss Marple

genuinely new version of the American woman private eye, a breed which no longer is stardom - she did when Paretsky - V.I. Warshawski, when Liza Cody gave us Anna Lee, and before everyone piled in with formidable heroines who have nothing in common with Miss Marple. Ms Albert's first novel, *Thyme for Death* (£7.99, 260 pages, a paper-back original) published in the *Imaginative Noir* of *Seven's* *Seven's*. Her heroine is China Bayles, a feisty feminist lawyer living in Chicago. Paretsky, who threw up her profession to open a herb shop in Pecan Springs, in the heart of Texas.

China and her shop and her boyfriend and her Mrs Age neighbour and a relish for sim-

ple - it is now revealed that, 20 years ago when it was a diplomat at NATO, he was with his publisher correctly described as "a romantic thriller". The idiots at the Foreign Office *misunderstood* his publication, and no doubt had his "K" when he had it printed privately.

At last it is available, and turns out to be an absolute delight, amateurish, non-violent, erudite, sentimental, and utterly *charming* and *charming* thriller that will be published this year. The plot has to do with the kidnapping of an American political committee of NATO diplomats by a gang of (before their time) environmentalists. It is very much an insider's joke about the profession of diplomacy (the diplomats happily settle down to an exercise in drafting a communiqué) but the joke is accessible and the result is only

charming. It is not matter that the dialogue also reads like a communiqué. Perhaps it should be reviewed by a Diplomatic Correspondent.

Once was a time Michael Dobbs, Mrs Thatcher's youthful aide, was also an amateur and apprentice thriller writer. That was how he created the villain of the decade. Francis Urquhart, in *House of Cards* (much helped by Ian Richardson's TV performances). Now Dobbs has become the professional, and he will now write than Richardson to his latest, *The Touch of Innocents* (HarperCollins £14.99).

Again we are offered an allegedly insider-view. There is a dastardly and charismatic US Secretary ("A like a good malt, improving with age. And moist, pale due

by the quality of the local detail. There are various Arab villains; a breaking marriage, sympathy for the Kurds, a rather pale hero. It deserves to be reviewed by our Middle East Editor.

Tim Sebastian is one of the TV reporters who have cashed in on their fragile fame to produce best-sellers purporting to tell the story behind the news. *Special Relations* (Orion £14.99, 308 pages) is based on the corniest idea of 1994: that the US President and the British prime minister (female) had a grand affair 20 years ago in Oxford and have had no contact with each other since then. Now they have to sort out a crisis about missile sites in the Ukraine.

"He! You feel just the same". [She] "There's more to me". She turned towards him and ran her hand down his stomach. "And more to you". [He] "That's not very flattering". She giggled again. "I didn't mean there. I meant your waist..."

Who on earth can people be? Who must be our Defence Correspondent.

Lost in the moral maze

Y John Sparrow, then Warden of All Souls and not for his Christian piety, was seen to be the chaplain of Wycliffe College by elbow and attending Morning Chapel. That was an interesting hymn we just sang. "New sins forgiven". Do drop me a card with the latest list."

Social rules are as old as human culture and the breaking them just as old. They are constantly evolving and diverging. In the point that cultures across generations hold rules which are contradictory. Oliver Thomson has attempted to map the range and variety of moral norms, especially the nasty ones.

History of Morals into two main sections with a brief epilogue, in which he is peer in to the future. The first section is designated "The Nature of Moralities"; the second is an extended canter through human civilisation from 1,500,000 BC to AD.

In the process Mr Thomson demonstrates a breadth of reading which is mind-boggling. There are over 400 books listed in the Bibliography, and a list that the list does not include the Holy Books of the religions.

The author's is global, would-be cosmic. One has a feeling that he would love to be able to list some strange barbaric customs culled from the Third world.

A HISTORY OF MORALS by Oliver Thomson Canongate £17.99, 278 pages

collected make it difficult to find here any analysis. Mr Thomson is more concerned about public policy than personal morality.

Reading between the lines may sense a deeply passionate man struggling with the perennial beastliness of human beings who have so persistently quenched the small flames of compassion, cooperation and altruism under a tide of cruelty and institutional violence and then compounded the felony by commanding barbaric

virtues. Accumulating multitudes of colour, virtues, but the of peoples and have a fascination. Open the book on any the eye will be caught by an intriguing or illus-

Hugh Dickinson



Detail from Cranach's 'Adam and Eve in the Garden of Eden'

The Iceman cometh

To call this "the archaeological of the century" smacks of hyperbole. The man who was dug out of a glacier in the Tyrolean Alps in September may have been 5,000 years old, but he was not a chieftain or a demi-god. He bore no insignia, commanded no great armies, had no stores of gold. Nameless, illiterate, astray from his home, he died by chance, and he survives in spite of, not because of, the clumsy effort to extract him from the ice. His promotion as Tutankhamun of the North is thoroughly perverse.

Yet the Iceman has his arrows, too. A small flint dagger served as his penknife, and he had a copper-bladed knife which the first discoverers of the Iceman took to be a quaint Victorian ice-pick. All these items bespeak a certain ingenuity, and the sort of survival skills which a modern would hardly match.

Tenderly documented in this book, the Iceman's are particularly instructive. He

THE MAN IN THE ICE by Konrad Spindler Windham £18.99, 305 pages

is a knee-length of plaited reeds, a snug bell-shaped cap, and various layers of leggings and fur. His leather boots were grass-upholstered too. But of course the insulation was not enough. Trapped in bad at an altitude of over 3,000 metres, he lay down, probably exhausted in a short while was frozen under a belt of pouch, with fire-kindling devices inside.

Two containers, made of birch bark, were found near his body; his last meal had dried ibex, perhaps an antelope. He was dispatched with an arrow. At the time of his death, he was carrying a slightly unfinished bow-stave, and the contents of a deerhide quiver reveal that he had work

escaping a local in which the village had been destroyed. He may have escaped after a struggle, several of his ribs recently broken death in thirtysomething, may have lost all that he loved (including his best bow). Perhaps a Neolithic Gates, poignant loneliness is only tempered by the consolation of his archaeological utility. Fully-dressed equipped Europeans of have been preserved like this for proper burial normally ensures their organic reintegration with the world. The Iceman's loss of rights, this is a scientific gain.

In this book, elsewhere, the Iceman has achieved a type of saintliness. It is born in his portable nostrils, his epic little journeys, his wisely-made all of which are more about modish yearnings for the of noble savagery, our passion for Neolithic knowledge. There may be predominant subliminal motive colonising the Iceman. According to a Swedish of determining kinship amongst populations, he may have lived over 5,000 years ago in a chain ratio of contact extended over the centuries. In short, as Professor Spindler puts it, the Iceman "must be distantly related to us all."

Nigel Spivey

ART GALLERIES

The room was designed to seat 250; in the event, 1,000 turned up. University lecturers in tweed jackets stood alongside old ladies in mackintoshes, young women tending babies and at least one judge of the court of session at the meeting earlier this week to protest against the decision by the National Galleries of Scotland to locate a new gallery not in the Scottish capital, but in Glasgow.

It was the climax of a controversy which has been the chief talking point of Scotland's chattering classes since early December. Each day there have been broadsides in the letters and features pages of *The Scotsman*. Last week its Glasgow rival *The Herald* devoted four pages to the issue. Next week it will be debated in the House of Lords.

The controversy involves not just art but Scottish nationalism and the perennial rivalry of Scotland's two biggest cities.

It concerns a plan to create a National Gallery of Scottish Art, intended to tell the history of Scotland and its art. It will take paintings by Scottish artists from two Edinburgh galleries, the National Gallery of Scotland on The Mound and the Gallery of Modern Art. It will also absorb the entire Scottish National Portrait Gallery, also in Edinburgh, which

Cultural tug-of-war divides Scots

James Buxton reports on the row over Scotland's new National Gallery

will close. The new institution will be built at Kelvingrove Park in Glasgow.

The idea of creating a National Gallery of Scottish Art was launched in 1991 by Timothy Clifford, the ebullient Englishman who is director of the National Galleries of Scotland, and by Angus Grossart, the terse merchant banker who is chairman of the galleries' trustees.

It sprang from a desire to relieve the serious shortage of space in the Edinburgh galleries, which means that paintings by Scottish artists have to be taken down to provide space for exhibitions, while hundreds of Scottish paintings lie in store.

The Portrait Gallery's collection of paintings of leading Scotsmen and women over the centuries would form the nucleus of the new gallery, blended with other paintings by Scottish artists such as Raeburn, Wilkie and Cadell from the National Gallery and the Gallery of Modern Art. It would tell the history of Scotland visually. Landscape paintings would illustrate

Scotland's geology and topography. At the time Clifford said Edinburgh was the most logical place for the new gallery, but added: "It is up to Glasgow to come up with wonderful proposals. We are ready to be seduced."

That is exactly what happened. Whereas Edinburgh reacted sluggishly, Glasgow with typical assertiveness offered the trustees several locations promised to lend the new gallery some of its best paintings and commissioned architects such as Sir Norman Foster and Terry Farrell to produce designs.

Glasgow consistently made the running: a consultants' study showed that on economic grounds Glasgow was the best location: the sites were cheaper, the population was bigger and the existing Kelvingrove art gallery and museum had higher attendances than the Edinburgh gallery.

The ten trustees repeatedly postponed a decision. But in the end the economic arguments for Glasgow, reinforced by the

knowledge that the trustees represent Scotland rather than Edinburgh (several of them come from Glasgow) made Kelvingrove inevitable. It was announced on November 30.

People in Edinburgh reacted with horror to what had happened. Whereas Edinburgh reacted sluggishly, Glasgow with typical assertiveness offered the trustees several locations promised to lend the new gallery some of its best paintings and commissioned architects such as Sir Norman Foster and Terry Farrell to produce designs.

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changed his mind) the most successful galleries in other countries try to cross-fertilise the art of different nations rather than separating them into compartments.

By the same token it would severely weaken the National Gallery. Though the gallery has listed those Scottish paintings that will stay, art historian Duncan Macmillan says the Scottish collections should be the heart of the National Gallery. "Without them it becomes the National Gallery of Nowhere in Particular, or perhaps the International Gallery of Anywhere Else but Scotland."

Secondly, the new institution means destroying the Portrait Gallery, created in 1889 and one of only three in the world. Paul Scott, a leading campaigner, calls it one of the most treasured possessions of the Scottish people: it should be kept intact and remain in the Scottish capital. It is this which arouses the strongest feelings.

At this week's public meeting Clifford

defended his plan and Spalding pricked a few consciences when he asked: "If the Portrait Gallery was closing and if Edinburgh had been successful in the bid it made [to have the new gallery] would you all be here tonight?"

Edinburgh campaigners say they do not object to a new gallery being built somewhere else, even Glasgow, but with a different configuration. But they voted overwhelmingly for the trustees to reconsider or resign. None of the trustees was present.

Yet even if the trustees stick to their decision it is far from certain that the new gallery will go ahead. The Scottish Office has said that it will not contribute to the £20m cost. Glasgow may stand a better chance than Edinburgh of qualifying for EU funding but this is far from certain. Grossart talks of tapping private donors and getting money from the National Lottery or the Millennium Fund. But it is difficult to believe that the government, which will control those funds, would direct them to a project which so many people oppose.

Increasingly eyes are turning to Ian Lang, the Scottish secretary. He has the final say and could veto the scheme or order a review. To many people, possibly including some of the trustees, that might come as a relief.

Off the Wall/Anthony Thorncroft

Small fish in a big pond

Lady Thatcher liked the idea of her statue mounted above the English entrance to the Channel tunnel - "Britannia resisting the Continental Hordes", perhaps. But Eurotunnel, niggled by her failure to provide Government cash for the enterprise, ignored the suggestion. Now the greatest building project of the century seems doomed to be completed with only a minimal contribution from the artists of the age.

But when passengers start to arrive at Waterloo later this summer to catch the direct train to Paris, they will be greeted in Nicholas Grimshaw's award-winning new terminal with one lone, but striking, work of art - "Channel Fish" by the French artist Jean-Luc Vilimouth.

Vilimouth is the winner of a competition organised by Public Art, the group responsible for locating art in the environment, against competition

The sole artistic haul from the Channel Tunnel is half a dozen French fish

from, among 80 others, Ron Haselden, Simon Patterson, and Peter Greenaway. The French artist's concept is piscine - fish made of steel mesh coated with fibre glass and suspended from the ceiling. These are not static fish. They wriggle, and to spectators in the first floor waiting room they will resemble a shoal of fish weaving in formation down the curve of Grimshaw's opaque building.

At the moment five fish, varying in length from three to five metres, are guaranteed, thanks to a £70,000 contribution from the BR subsidiary looking after the rail link. European Passenger Services, boosted with £24,000 under the government funded Business Sponsorship Incentive Scheme. But an extra £40,000 is needed to acquire another five fish to make up a decent shoal, and companies likely to profit from the Tunnel are being approached for support.

The fish are sand eels, a delicacy in France but not familiar in the UK. Vilimouth is best known for an installation in Grenoble, 70 metres long and featuring hammers pattering on to clocks. Public works of art are compulsory in official buildings in France; this has led to much bad art but also a tradition of municipal and corporate patronage.

In the UK, public art is still not widely accepted but this



The most inventive and visceral director in modern America: Martin Scorsese turns his attention to romance and restraint

Scorsese the celluloid crusader

Nigel Andrews asks the director why he has exchanged blood and bullets for Merchant-Ivory finery

When people heard that Martin Scorsese was to film Edith Wharton's novel *The Age Of Innocence* (opening in Britain next week), it was open day for the jokers. "Raging bull in a china shop!" cracked some. "Genteelies!" quipped others. We live in a world where directors are typecast as much as film stars: so what was a man famed for spraying audiences with blood and bullets doing making a film for the James Ivory school of *fin-de-siècle* finery?

It also means taking fewer risks. Another hard pressed opera company, Welsh National Opera, is also dropping a planned production, *Simone's The Two Widows*, which opened recently to mixed reviews at the London Coliseum. It would look much better on the WNO's small Cardiff stage but it cannot afford to take chances at the box office.

Finally the Barbican has rationalised away 15 jobs from the 172 employed in the City of London's arts centre. Here again falling revenues has been the driving force behind greater efficiency.

Acrostic competition

Shakespearian sonnets and Spenserian stanzas, free verse, carols, cantatas and choruses, poems in French and in Italian were all inspired by our John Major acrostic competition. There were literary ruminations on the state of both the nation and the England cricket team - and, less predictably, on the nature of John and Norma's love life.

Runner-up was Bernard McGinley of London with an extract from his lively literary epic *The Blokiad*. There were

two winners. William Hopkin, aged 8, gave us haiku which began:

John Major,
On his nose
Has spectacles
Not freckles.

A book token, rather than a bottle of champagne, goes to William - if only he would send us his address, which he omitted to include on his entry.

The alliterative acrostic of joint winner K.E. Hurst of Yorkshire was as much fun to recite as it is to read:

Juggling, jinking, jollying,
jetting
Owing, scowling,
spitting-out
Hustling, halting, hammering,
hailing.

Never nothing, nothing
nailing...

A magnum of champagne is on its way.



Michelle Pfeiffer as Countess Ellen Olsenska in Scorsese's latest film, 'The Age of Innocence' which opens in Britain next week

Taxi Driver - a "vision of Hell" according to some critics - as anything but a realistic picture of New York City. "All the images seen through the De Niro character's eyes, you could say, yes, they add up to one of the nine circles of Hell. Or to Purgatory. There's a religious element there. I'm God's lonely man" Travis (De Niro) says, and Paul Schrader (the scriptwriter) based his script on Dostoevsky's *Notes From Underground*.

"But for me, I made the film because I knew how this man felt. You have these feelings of exasperation, of helplessness, in a city like New York. Scorsese to this day does not see his reputation-making film

right! Everybody's right, nobody's wrong! There are the racial problems and the injustices... it's a city eating itself up. How do you survive? How do you stop killing yourself and taking people with you?"

It is a world Scorsese himself grew up in, and for years he floundered with his own crisis of response and identity. As a teenager he wanted to go into the church, but found that he kept going into cinemas instead. "It was a place to go and rest and explore your own emotions through other stories and other characters. It was a

catharsis for me, like moving paintings."

And paintings keep coming up during conversation. He gave up the altar to move into the arts: but what kind of artist would he have been if born before the age of cinema? "A painter." And why does he find so much inspiration still in old churches? "Because frescoes are an early form of cinema. You know, here is the resurrection, over there is Hell." And people would criticise it like a movie. "Oh it's much too gory, too violent! We don't need that sort of thing in a church!"

As for the longest answer he gives me during our whole conversation, that too is about painting: his search to find the right pictures for people's houses in *The Age Of Innocence*. It led him, in a pilgrimage towards dramatic truth, all the way from period accuracy - consulting the New York Historical Society to find out what artworks the real-life prototypes for Wharton's characters actually owned - to a sophisticated cinematic symbol-pattern. One example is the character whose staircase is lined with paintings by the Hudson Valley artists. "I thought that up with the designer, Dante Ferretti. As you go up the stairs, you're taking a trip up the Hudson Valley, finally ending on a scalping, which puts everything else in perspective about polite American society at that time!"

"Imagery is such a powerful thing. I was lecturing on film preservation around the time when the Holocaust exhibition opened in Washington. And all week they'd been showing documentaries of the period, and I said 'Imagine if all this film hadn't been preserved?' In a funny way, you can read all the books you want, but to see one photographic or moving image of what happened - the famous shot of the Nazi with the riding crop under the chin of the old woman, forcing her to look up - that alone says so much to future generations. That's what the power of film is."

Scorsese's evangelistic view of movies does not stop here. Indeed it does not stop anywhere. One senses a crusading or religious spirit informing nearly all his perspectives on cinema. Asked what happened to the impulses he once planned to put into the priesthood, he does not hesitate to say they went into his films. "If you have a gift, the actual working out of that gift is a form of prayer. It's a religious act." And asked what special power cinema has beyond other arts, he has a missionary answer.

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ARTS

Light out of darkness

Patricia Morison views fragile survivors of the Middle Ages collected in Cologne

This is an exhibition to make you pinch yourself in case it is a dream. There are no fewer than 70 north European panel paintings of the late 14th and 15th centuries. Roughly half of these fragile survivors from the Middle Ages and early Renaissance have been loaned from other museums and a handful still belong to private collections. There are vestments and manuscripts, including the delightful little Darmstadt Book of Hours which Lochner, the most admired German artist before Dürer, illuminated.

So obscure is Lochner, and so little represented outside German collections, that this extraordinary exhibition is like a laboratory assembled so that art-historians can test their hypotheses. Who were these innovative artist's teachers and models? Who were his fellow-pupils, and whom did he teach?

These questions justify the exhibi-

tion, with themes. Simeon looks at the lively, golden-haired Christ Child in his arms with an expression which is grave and full of foreboding. Contemporaries would have known to supply his words, "Lord, now lettest thou thy servant depart in peace."

Frankfurt has loaned the two wings of the "Martyrdom of the Apostles", in 12 small panels. Lochner achieved the gayest, most varied compositions out of the horrible litany of torture. These apostles surely sang as they died and their executioners have the grace of dancers. The gold backgrounds and solid haloes were the hallmark of the Cologne school. Arriving there in about 1430, Lochner wisely made it his own.

So much gold can become monotonous, particularly in comparison with Flemish contemporary painters like Flemalle and Robert Campin, with their views through windows onto landscapes and lively street scenes. The exhibition shows how long it took for Cologne's burghers and churchmen to change their view that paintings, like statues and books, should be gleaming and hieratic, a foretaste of heaven.

The greatest Flemish masters are also represented by loans to the exhibition. There are a half-dozen wonderful paintings by Jan Van Eyck (the "St Jerome" from Detroit), Petrus Christus, Robert Campin and Roger van der Weyden (the lovely panel from Leipzig of the meeting of SS. Elizabeth and Mary, both heavily pregnant).

There are guided tours which will give you the sadistic pleasure of standing *en bloc* in front of important pictures such as Lochner's "Last Judgment", hung in a central bottleneck, and preventing anyone else getting a look in for minutes at a time.

The longest wait will probably be to see the magnificent triptych on the last wall. It is not by Lochner but by an artist who, to my mind, is his superior. Memling's "Last Judgment" is a sublime vision of terror and beauty.

Why does this masterpiece appear in the show? Because Memling was Roger van der Weyden's pupil, and accompanied him to Cologne where, like many other artists, he looked back at Lochner's "Last Judgment". However, Memling's vision is far more novel and compelling than the Cologne master's. Here are no feebly literal jaws of hell, no bloated bodies or condign punishments.

This is a hall of shivering vertigo in which elegant bodies plummet into stygian smoke and flame. On the left side, the blessed walk up a glass stair-

case, so the public has reason to feel grateful. At the same time, this is also an exhibition which displays a more profound contempt for the lay visitor than any I have ever seen.

Apart from labels saying "Upper Rhine", "Italy", "Followers", and so on, there is not a shred of information inside the gallery. Outside there are tediously slow interactive videos. Unless you read German and feel like balancing the handbook catalogue on your arm, you could leave the exhibition knowing little more about Lochner and his contemporaries than when you arrived.

He was born near Lake Constance and died in Cologne in 1451, a prosperous master who invested his wealth in real estate. Probably he died from the Black Death, which wiped out half the population of this exceedingly rich city. Details of Lochner's life and work are conjectural and not one signed painting survives. A few years ago, an heretical scholar even suggested that the famous "Adoration of the Magi" altarpiece in Cologne Cathedral is not by Lochner. (It hardly needs saying that a trip to see this is a must.)

To the Wallraf-Richartz Museum's own collection of works by Lochner have been added many others. My favourite was the "Presentation in the Temple" from the Gulbenkian Museum, which shows Lochner's gift for tenderness and his original way

of breathing beauty. A grey-

haired man bows a curtsey as St Peter shakes his hand. At the top, angels slip sumptuous garments over people's heads. Memling's vision is the grandest finale to an exhibition

which, despite its lack of information about the pictures on show, will beckon to anyone who loves the northern Renaissance.

IBM, Hanstein-Verlag. Exhibition runs until 27 February, 1994. For information on Cologne, including hotel bookings and guided tours, contact the Cologne Tourist Office; (0221) 231-3346

Sponsored by Kölnisch Rundschau.

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Observe master: 'Presentation in the Temple' by Lochner, on loan from the Gulbenkian Museum

The Quatuor Mosaiques, four young string-players of unrivalled excellence, is briefly in residence at the Wigmore Hall with a four-day mini-festival devoted to the chamber music of Haydn and Boccherini that should bring happiness to all who sample it.

Haydn and the Italian-born, Spain-based Boccherini were contemporaries. Their farn in the later 18th century spread comparably, if differently, wide. Both were hugely prolific. For these reasons and many others besides, numerous parallels between the two have long been drawn by

chamber-music historians, invariably to Haydn's greater glory.

The bounteous pleasures of Thursday's opening concert were supplied equally by the beauty of the music and the justness of its evaluation – with performers like these, style and portraisons not merely in their sound-producing traits but in their effortlessly intimate approach to ensemble performance, there was never any danger of Haydn's greatness obliterating the lesser figure.

Two Boccherini string quintets framing the programme, with the Belgian cellist Roel Dieltiens as fifth voice, exposed the most subtle interplay of parts the elegantly musical personality that underlies all of his choicest creations. Today, when charm is a characteristic widely despised and "aggressive" more often than not an adjective of praise, there is a temptation to scoff at the ripely civilised qualities of a work such as the C major Quintet, Op 28 no. 4. Here, in a reading of exqui-

site gentleness which constantly searched out the softest, sweetest modes of audience address, the most graceful tones of voice in the singing of Boccherini's delightful melodies, that temptation was immediately banished. The Mosaiques encouraged the listener to admire to the full the genial virtuosity of the part-writing, with its delicate evocations of Spanish guitar solos and intriguing blends of violin texture. And even if the quartet's performance of Haydn's

farewell to string-quartet composition, the two-movement "torso" numbered Op. 103, had earlier raised the listener to an entirely different level of musical experience. It

remained possible afterwards to appreciate Boccherini according to his genuine, palpable merits.

Max Loppert

Wigmore Hall, London W1; series sponsored by Friends of Wigmore Hall; final concert tomorrow evening

Well tuned to Boccherini

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Sheppard in a minor key

It is commonly held that as a jazz musician you must pay your dues before moving into the premier league: you have to earn the right to do your own thing. British saxophonist Andy Sheppard has worn out more than a few reeds on the way up and is now expressing himself vigorously and variously all over the place. Last Saturday his Small Co-Motion – a duet with keyboard player and composing partner Steve Lodder – filled Norwich Arts Centre. A new and funky recording from the quintet in Co-Motion is out now on Blue Note and a live recording of the 10-piece Big Co-Motion is released next month.

Sheppard likes to chop around. In Paris he used to play on forklift trucks with performance art troupe Urban Six. He sits on the front row of adventurous big bands led by George Russell and Carla Bley and plays opposite pianist Keith Tippett in turbulent free improvisation. Last year Big Co-Motion travelled to Nigeria and Outer Mongolia on British Council tours.

For his foray into the Near East, however, Sheppard came equipped for congenial self-indulgence and intimate rifting with Lodder's synth. Opening with the soprano and a swarming bee tons layered over twinkling accompaniment before

moving on to the soulless fuzz metal effect of the Ewi (electronic wind instrument), Sheppard showed his considerable firepower. Dark soprano improvisation with delay gave way to well punctuated excursions from Lodder and some tension madness.

But minor key ruminations were the theme for most of the evening. Linear improvisation run along a repeating and recurring folky mantra is a feature of much jazz, and indeed modern music in general. The melancholic, wistful effect created by Sheppard and Lodder here is mildly stimulating because they are both fine musicians. But, as if you had been listening in to two friends jamming gently at home, you do not go away with much of substance to remember. Sheppard is always good value in any shape or form – however blurred the outline. But his solo exertions in the context of a fierce brass section and the exhilarating writing of the Big Co-Motion are more rewarding.

Garry Booth

Small Co-Motion at the Blackheath concert halls tonight.

Big Co-Motion at the Barbican, February 25.

No 1005: 1 Nxd6 Rb7? 2 Rxe4

Nf3? 2 Rxf4! wincs.

remained possible afterwards to appreciate Boccherini according to his genuine, palpable merits.

Max Loppert

Wigmore Hall, London W1; series sponsored by Friends of Wigmore Hall; final concert tomorrow evening

Turin falls for 'Fille'

It is strange to reflect that Italy was the cradle of ballet, before the French and Russians adopted it. Right up until the beginning of this century, Italian dancers were the most eminent stars in the ballet world, and Italian ballet training was the most influential.

Today, Italian ballet training has no high standing. Alessandra Ferri and Viviana Durante, two of the world's leading female dancers, are Italians who came to London to complete their training and to launch their international careers.

How odd, then, to see the Birmingham Royal Ballet, an amateur ensemble dancing

Frederick Ashton's unglamorous classic *La Fille mal gardée* in Turin last weekend. Not all seats were filled; some Turin opera subscribers chose not to occupy their seats. And those who attended did not at first know how to react.

Was it really this rural and

comic and touching and humane? Could dance steps really be arranged with this much intricacy? Could so much tender detail be poured into a work whose plot is so simple? Could sophisticated

Northern Italians enjoy something as homespun as this?

The answer was yes – eventually. The opening performance was, by all accounts, politely received, no more. At the second performance, large numbers of the audience were sufficiently delighted to rush forward to the stage, to bathe in the dancers' radiance as they applauded. The next day the critics of the Corriere della Sera, Giornale, and La Stampa proclaimed the opening performance of *Fille* to have been a triumph, delicious, a joy.

One must compliment Peter Wright, the BRB's artistic director, on using *La Fille* as his calling-card. Last year the Royal Ballet (the Covent Garden branch) came to Turin with *Mayerling* and Anthony Dowell's stagings of *Swan Lake* – productions that you would have thought anyone could tell would fall on the European continent. The BRB is not the better company – *La Fille* is danced slightly better by the Covent Garden ensemble – but many Turinites certainly now think it is. Certainly *La Fille* becomes the Birmingham dancers; I have not admired the troupe's dancing so much for several years.

Ashton's skill in characterisation was the most remarkable feature of the ballet; with especial delight found in the travesty playing of the grouchy but warm-hearted Widow Simone ("la mamma") and the happy simpleton Alain. But people also exclaimed with amazement that never before had they seen ballet with the harmony, structure, and fineness of music – that watching it was like reading a score. I

who have probably seen *La Fille* over 60 times, found myself discovering new felicities in its construction – and yet envying those who discovered it for the first time.

During my brief visit, I was able to watch the company's first two casts. Irik Mukhametov, a guest star from Covent Garden, danced Colas. He had a few more problems with the steps than when he first took the role at Covent Garden two years ago, and he forces a few features of the characterisation. But you could still feel the virile charm and Bolshoi sweep that makes Mukhametov so immensely impressive a dancer.

Tiny, pert, Sandra Madwick was his Lisa. The sharp cutaneous of her dancing, the impetuous fun of her playing have made her a splendid inheritor of this role since her student days. Perhaps she is at times too sharp, too sly of bringing out the melting lyricism of the ballet's more dolorous passages; but her dancing is as naturally brilliant as birdsong.

**British ballet
enchants Italy,
discovers
Alastair Macaulay**

David Morris and Vincent Redmon, as Simone and Alain, gave performances that at all points made the ballet's detail (and thereby its entire world) more real.

The second cast, by one of those happy flukes, had several more flaws and yet was altogether even more delightful. Marcus Waiters lacks all the finesse for Lisa's dances, but the brightness of her jump on the one hand and the gentleness of her playing on the other make her performance varied and absorbing. Sergiu Poborensnic, attentive but weak as a partner and generous but tenuus as a soloist, has tremendous warmth and youthful panache as Colas; Edwin Mota was an exaggerated but sweet Alain. And Michael O'Hare was a marvelous Simone; I have not seen the episode when he suddenly wakes and "blearily" snaps straight back into action so vividly done for many years.

Above and beyond any of the dancers, I praise the company's young conductor, Philip Eliot. Each time I hear him, I think he is the best thing to have happened to British ballet music since the late Ashley Lawrence. He shapes the music of such minor composers as Auber, Hérold, and Minkus with the brio, love, and finesse it deserves; he lends sparkle to otherwise weak dances; and to precise dances he gives stimulus and power. Playing under him, the orchestra of Turin's Teatro Reggio gave the score unusual elegance and wit.

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12.20 Walking the Dog. 7.50 Peter Pan at the Palace. 8.30 Chakrabjee. 8.35 The Recs. 9.00 Live and Kickin'.

12.12 Weather. 12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus: Live coverage from Manchester of the draw for the European Championship qualifying round. 12.55 Racing from Haydock Park. The 1.00 Premier Long Distance Hurdle. 1.10 National 1.15 Rugby League Preview Match of the Month. 1.25 Racing: The 1.30 European Champion Hurdle Trial. 1.40 Skating: The Men's World Cup Downhill from Wengen, Switzerland. 1.55 Racing: The 2.00 Peter Marsh Chase (Heslop). 2.10 Rugby League: Castleford v Wigan. Full live coverage from Headingley of the Regal Trophy Final. 3.00 Figure Skating: The European Championships from Copenhagen. 3.10 Rugby by Phone. 3.55 Football Hall. 4.00 Free Skating: The women's free programme. 4.40 Final Score. Times may vary.

5.15 Regional News and Sport. 5.30 The New Adventures of Superman. A military official intent on destroying the flying superhero sends The Daily Planet office - can he be stopped? What's the day? Starving Dean Cain.

6.15 Noel's House Party. Fun from Crindley Bottom, as cricketer Allan Lamb tries to Grab a Grand. Plus, the Big Pink Pig and NTV.

7.15 Big Breakfast. Snooker stars Tony Mee, Tony White and Tony Drago help contestants compete for the star prize.

7.45 Birds of a Feather. Business at Sharon's cafe begins to hot up - but Tracey finds her sister's success hard to swallow. Comedy, with Pauline Quirk and Linda Robson.

8.15 Casualty. The prospect of job losses and gloom over the accident and emergency department, prompting staff to fear for the future. Medical drama, starring Derek Thompson and Clive Mantle.

9.05 That's Life! 9.45 News and Sport: Weather. 10.05 Match of the Day. Highlights from two of the day's matches.

11.05 Film: Audrey Rose. A man tries to convince a couple their 12-year-old daughter is the reincarnation of his dead daughter. Supernatural thriller, starring Marsha Mason and John Beck (1977).

12.55 Weather.

1.00 Close.

8.00 Open University. 9.05 Henrician Age. 10.25 All-Time Classics. 11.05 Bollywood or Bust! 11.35 Chakrabjee (English subtitles).

12.15 Film: Where's Jack? Historical adventure, starring Tommy Steele as an 18th century highwayman pursued by government forces. With Stanley Baker (1969).

2.10 Horizon. New fossil discoveries suggesting woolly mammals survived the Ice Age and lived on until as recently as 3,500 years ago.

3.00 Film: Soldier in the Rain. Steve McQueen and Jack Palance star in this oft-forgotten drama about US Army sergeants whose demob plans are marred by tragedy (1963).

4.25 Film: Never Love a Stranger. A New York gang boss finds his position threatened by the forces of law and order. Crime thriller, starring Steve McQueen and John Drew Barrymore (1958).

5.55 Late Again.

6.25 Scrutiny. Do the Commons committees work? Anne Perkins reports on home secretary Michael Howard's views on the rising number of racial attacks. Plus, president of the Board of Trade Michael Heseltine's plans for the manufacturing industry.

6.55 News and Sport: Weather.

7.10 Personal Ambitions. First of a two-part account of the relationship between leading Australian Labour Party figures Paul Keating and Bob Hawke. Narrated by Kathy Bowen.

8.00 Utopia. Superstar Annie Lennox is at stage of the 1992 Montreal Jazz Festival.

8.50 The Classical Music Awards. Coverage from the Royal Albert Hall in London as the greatest talents in such categories as male and female singer of the year, conductor of the year, and opera production of the year, are honoured for their achievements.

10.05 Between the Lines. The police shooting of an armed man provokes hostile reactions among local people, prompting Tony Clark to investigate. Starring Neil Pearson.

10.55 Film: A Tale of Springtime. Light-hearted romance about a young girl who acts as matchmaker between her parents and visiting teacher. Starring Anne Torssdahl and Hugues Cueter (1985).

12.40 Later with Jools Holland.

1.40 Close.

6.00 GMTV. 8.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Movies, Games and Videos.

1.00 ITN News: Weather.

1.10 NBA Basketball. The game of the week, and highlights from the rest of the league.

2.10 Film: Go On. Corky uses his remarkable memory when he babysits instead of his sister.

3.05 Film: Carr on Spying. Barbara Windsor and Kenneth Williams head the cast of this bawdy James Bond spoof (1964).

4.40 ITN News and Results: Weather. 5.00 London Tonight and Sport: Weather.

5.15 Cartoon Time.

5.30 Catchphrase. Roy Walker hosts the cliché game show.

6.00 Blind Date. Romance-seeking hopefuls go on the date of a lifetime.

7.00 Entertainment. Star-struck members of the television industry show off their talents on stage, featuring an animal impersonator from Somerset, and an 18-year-old opera singer from Southampton.

8.00 Murder. She Wrote. Jessica uncovers an elaborate murder plot when the multi-millionaire husband of her mother's close friend disappears.

9.00 Film: Imposter. Primrose, an amateur detective, cop Theresa Russell puts her life and career on the line by confessing her romantic involvement with a murdered witness - and stealing drug money worth more than \$1m in the process. Police thriller, also starring Jeff Fahey, George Dzundza, Alan Rosenberg and Nicholas Mele (1988).

11.05 The Big Fight - Live. Samson Lourenco v Alessandro Dura for the WBO Welterweight Championship at Belfast's Kings Hall.

11.50 Film: Gideon Oliver: The Last Plane from Coramayre. A New York teacher's devotion to a promising student plunges him into a feud between warring Chinatown families. Thriller, starring Louis Gossett Jr (1988).

1.35 The Big E: ITN News Headlines. 2.00 New Music.

3.30 Travel Trivia: ITN News Headlines.

4.00 European Nine-Ball Pool Masters. 5.00 BPM.

5.00-7.00 on View. 6.30 Early Morning. 10.00 Tony Jacklin's Pro-Celebrity Golf. 11.00 Gazzett's Football Italia. 12.00 The People's Game. 12.30 pm Sale IV.

1.00 Rocking with a Sitch. The story of an Indian-born shop owner from Swindon who dreams of becoming a rock 'n' roll star.

1.30 Magoo's Homecoming. Myopic misadventures.

1.40 Racing from Kempton Park. The 1.45 Big Lady Shaver Handicap Hurdle. 2.15 Fulwell Handicap Chase. 2.45 Big Razzle Dazzle Handicap Hurdle, and the 3.15 Big Razzle Novices' Chase.

3.25 Film: Pictures from Heaven. Musical featuring Bing Crosby and his son, who helps a 10-year-old girl and her grandmother return to their family home. With Edith Fellows (1936).

5.05 Broklade. 6.00 Right to Reply. Viewers' reports and ideas about recent TV programmes.

7.00 A Week in Politics; News Summary.

8.00 Kingdom in Conflict. Documentary focusing on the life of Dorothy Sheilds, widow of a former warden of Tsavo National Park in Kenya, and her devotion to wildlife conservation in their long fight against poachers.

9.00 Murder. She Wrote. Jessica uncovers a mystery when her husband rescued many people from a burning building into a safe. Following the death of her spouse, Dorothy moved to Nairobi National Park with her four-legged friends, and continues to treat them as a second family.

9.00 NYPL Blue. Slipwreck begins to recover, but can't remember who caused the accident. A coroner's court on behalf of a man whose son was killed in a shooting, and crooked cop Local rebels against Mob boss Marino and guns him down. Police drama, starring Dennis Franz, David Caruso, Amy Brenneman, Joe Santino and Brent Jennings.

10.00 Film: Maurice. In Edinburgh, Maurice, a gay man, gradually becomes aware of his homosexuality while studying at Cambridge. Elegant drama based on the novel by E.M. Forster, starring James Wilby, Denholm Elliott and Hugh Grant (1987).

12.35 Broadway Stories.

1.10 Film: Think Fast Mr Moto. Peter Lorre as the intrepid Japanese sleuth, matches a smuggling ring.

2.20 Herman's Head.

2.50 The Word.

3.30 Close.

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA: 1.05 Angels News. 1.10 The Munsters Today. 1.35 2.25 Gurs in the Heather. (1988) 3.05 Knight Rider. 3.30 Angels News and Sport 6.00 Angels Weather.

BORDER: 1.05 Border News. 1.10 Get Smart. Again! (TV 1965) 1.35 The A-Team. 3.35 Superstars of Wrestling. 5.00 Border News and Weather.

CENTRAL: 1.05 America's Top 10. 1.05 Central News 1.10 COPS. 1.35 Movies, Games and Videos. 2.05 Knight Rider. 3.05 The A-Team. 3.50 WCW World Wide Wrestling. 4.00 Central News 6.00 The Central Match. 6.00 Gads 12.00 Cartoon Time. 9.00 Local Weather.

CHANNEL: 1.30 Held. 1.05 Channel News. 1.10 Sali 100. 1.30 The Weather Channel. 2.40 Cartoon Time. 5.00 Putin's Palace.

GRAMPIAN: 1.20 Monach. Ard (Montrose). 1.05 Grampian Headlines. 10.15 Ten Telly. 1.05 The Sun. 1.30 The Sun. 2.15 The Sun on Sunday. 2.30 Channel 4. 3.00 Grampian News Review. 9.00 Grampian Weather.

SCOTLAND: 1.05 Scotland. 1.10 The Sun. 1.30 The Sun. 2.15 The Sun on Sunday. 2.30 The Sun. 3.00 The Sun. 4.00 The Sun. 5.00 Scotland News.

TYNE: 1.05 Tyne Tees News. 1.10 The Munsters. Today. 1.35 Wanted: Dead or Alive. 2.05 Old Yeller. (1957) 3.05 Knight Rider. 5.00 Tyne Tees Sunday.

WESSEX: 1.05 The Little Hobo. 1.05 HTV News. 1.10 Salt the World. 1.40 One in a Million. The Ron Ron Story. (TV 1978) 3.15 Movies, Games and Videos. 3.45 The A-Team. 5.00 HTV News and Sport 6.00 HTV Weather.

WEST MIDLANDS: 1.20 Held. 1.05 Mordland News. 1.10 Salt the World. 1.30 Mordland. 2.40 Cartoon Time. 5.00 Old Yeller. (1957) 5.00 Mordland News.

WORLD: 1.05 Scotland Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Telephone. 2.10 Mother On. (TV 1989) 3.00 The A-Team. 5.00 World Weather.

TYNE TEES: 1.05 Tyne Tees News. 1.10 The Munsters. Today. 1.35 Wanted: Dead or Alive. 2.05 Old Yeller. (1957) 3.05 Knight Rider. 5.00 Tyne Tees Sunday.

12.30 Blockbusters. 1.05 UTV Live Luchtime News.

1.10 Saturday Sport. 1.15 Movies, Games and Videos. 1.30 The Munsters Today. 2.15 Doctor Who. 3.00 Saturday Sport. 3.30 Saturday Sport. 4.00 Saturday Sport.

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Abdullah, the handsome young major-domo at our loaned villa in Marrakesh, shook his head when we told him we wanted to visit the souk. "I would never go there," he said. "As foreigners you will be pestered until you take on a guide. Then he will take you only to the shops run by his contacts. It's all side-deals and hidden commissions."

"Don't worry," I said, "we can take care of ourselves. And my wife runs a store in London. She knows all about profit margins."

"Marrakesh is not London," sighed Abdullah, "but all right, I'll drive you there."

Of those would-be guides who pestered us at the entrance to the souk, we took pity on one who rested on a crutch. Once inside the market we soon realised that the main purpose of the crutch was to

Complex game in the souk

Dominic Lawson goes looking for a chess set and falls for the carpet gambit

deliver stunning blows to other guides who wanted to poach us.

"What you wanna buy?" asked our guide, panting from the effort of repeatedly swinging his crutch above the perpendicular.

"A chess set," I said.

"Another chess set," corrected my wife.

"I take you to the best place," said our guide, and, hobbling at a startling pace, took us on a route which seemed to double back on itself several times. Finally we arrived, possibly next door to where we had started, at a shop which indeed, seemed to contain nothing but chess sets. They were all of identical design, a reminder that it is not just observance of

tradition, but also fantastic lack of imagination, which ensures that the Islamic world retains its medieval integrity.

"These chess sets are all the same," I said to the shopkeeper.

"No," he replied, "they are in many different sizes."

"They are all too small," I said, irritably.

Then I heard my wife's shout from the basement of the shop.

"Come and look at this!"

Downstairs was the biggest chess set I had ever seen, the pieces sitting flatly on a board which must have been at least a yard square.

"Not too small?" inquired the shop owner.

"Not too small," I said. The man

named an exorbitant price.

Then I noticed a big crack in the board. "It can be repaired," said the shopkeeper.

"No," said my wife, in the tone of voice I imagine she uses with manufacturers bringing in faulty goods.

"Make another one exactly this size, and we will come back in a week to pick it up."

A week later we arrived back at the shop. No giant chess set. The owner wrung his hands. "You see sir, we had your new set in the window, when a member of the royal family walked by. He wanted it. And in this country, when a member of the royal family wants something, he can just take it. Do you have such problems with the

royal family in your country?"

Not waiting for my reply, he suddenly brightened. "So we hid your chess set. And now I will take you to the shopkeeper."

"No," said my wife, in the tone of voice I imagine she uses with manufacturers bringing in faulty goods.

"Make another one exactly this size, and we will come back in a week to pick it up."

"Not too small?" I said.

"No," we replied in unison.

The rest you can guess. After about half an hour of moaning we finally cracked and shook hands on a deal to buy two carpets. At exactly that moment, as the carpet man's hand gripped mine, two colleagues staggered into the room bearing the missing chess board.

"Oh, what a surprise," said my wife.

At the door of the shop, an incredibly old looking man waited, attached to a barrow on to which our chess board, pieces and carpets were loaded. Bent low, he dragged our possessions out of the souk and towards our car. Unfortunately no such service exists at Gatwick airport: we had to drag our own booties and through the Red Channel of the Customs ourselves.

"What have we here?" asked the customs officer. "We tried to explain. 'Some of that attracts duty at 33 per cent,'" he said, finally.

"Why so much?" I asked. The customs man looked at me, amazed at the fatuity of the question. "Protectionism," he replied.

Where were you when we needed protecting, I thought. I did not say anything so tactless, of course: I hoped to do a deal.

■ *Dominic Lawson is Editor of The Spectator*

Too daily male

Michael Thompson-Noel

Is she a mad woman? Should she be drummed out of the teaching profession and flung into the Thames? Is the plague of political correctness spreading into our primary schools and wiping the minds of infants?

The answers to these questions will depend on which general newspaper you read, for they relate to the case of Jane Brown, head teacher of Kingsmead primary school in the east London borough of Hackney. Brown was splashed across the newspapers this week because she had rejected an opportunity for pupils to see the ballet *Romeo and Juliet* at the Royal Opera House.

According to most reports, the sole reason for her action was that she regarded *Romeo and Juliet* as a "blatantly heterosexual love story" and that until books, films and plays reflected all forms of sexuality she was disciplined to involve her pupils in "heterosexual culture".

The first I heard of the story was on TV on Wednesday. But the reports sounded so glibly one-sided that on Thursday I bought a copy of every UK national newspaper, to see whether the story was more complicated than it sounded on TV.

It was, and the results of my survey reinforced my belief that the lower end of the UK newspaper market is capable of such vicious

HAWKS & HANDSAWS

news that it ought to be subjected to a penal rate of VAT - the proceeds to be given to the quality newspapers to subsidise their efforts at serious reporting.

I divided my pile of newspapers into three categories: qualities (*Times*, *Telegraph*, *Guardian*, *Independent*); tabloids (*Express*, *Mail*, *Today*) and testosteroids (produced by inadequates: *Sun*, *Mirror*, *Star*).

With two minor exceptions, the tabloids and testosteroids reported the story as one thing only: an example of loony-left philistinism and creeping political correctness. Said the *Star*: "A loony school head rejected cut-price tickets for her pupils to see *Romeo and Juliet* because it WASN'T a gay love story." The *Mirror*'s headline: "Head Bum's 'Hetero' *Romeo and Juliet*." The *Sun's*: "Romeo, Romeo, Where Art Thou Home?"

Only in the *Sun* and *Today* was any hint provided that there may have been other reasons why the head teacher felt disinclined to send her toots to *Romeo and Juliet*.

To discover what those were, you had to turn to the qualities. The *Independent*'s story was stumpy and poor - almost as one-sided as the tabs and the testos. Only in the *Telegraph* and *Guardian* was the complexity of the story allowed to show through.

Said the *Telegraph*: "While Hackney leaders, who have been trying to soften the council's left-wing image, were furious, Ms Brown's colleagues defended her. One said: 'She is not trying to promote homosexuality. All she was trying to do was to prevent the children being fed a constant diet of gang fights and killing. The school is on the edge of a notorious estate and showing children yet more male stereotyping, feuding and knives is no joke.'"

Perhaps, at day's end, opinion will settle in favour of John McCafferty, Hackney council's leader - he is also a teacher of English - who was quoted as calling Brown an "irresponsible individual" guilty of an "absurd, narrow-minded political correctness".

On Thursday, the head teacher said she was "dismayed" at the distress I have caused to parents, staff and pupils by the unwelcome media attention which has focused on the school. And she told a Hackney council inquiry that her action had been "wholly inappropriate".

But by then the affair had been clouded by the media's rush to judgement. Brown sounds to me like someone trying to perform a difficult job with sensitivity - a victim of media shafting.

Does it matter? Yes, it does. Include the *FT*, and the UK qualities sold 2,432,983 copies last month. Combined, the tabloids and testosteroids sold 10,493,306 copies. The tabs and the testos outsell the qualities by 4.3:1. If you ask me, a lot of the blame for the intolerance and viciousness and ignorance and stupidity that we notice all around us derives from that dreadful ratio.

The government must act. A simple little VAT rate - 33 per cent, perhaps a touch more - on the tabs and the testos would suffice. This is a challenge for Michael Portillo: a chance to show us he is more than a mouth.



Private View/Christian Tyler

The millionaire alchemist

our museums and all our studies of these cultures."

There's the question of authenticity...

"Oh, not in my case. I'm sure. Nobody has questioned any of my objects."

Was spending all that money on primitive objects a gesture, a statement about wealth?

"I don't know. You're psycho-annoying me now. Maybe. Maybe."

You were getting value for money but getting rid of the money, too?

"It's very possible. That's a very pertinent statement and I wouldn't argue it."

Did you feel oppressed by the wealth of your mother's family?

"Oh, I certainly suffered as a child. I was too sensitive and I felt the difference was too vast. This sounds ludicrous and people will think I'm absolutely mad but when I was really young I was perfectly willing to contemplate that both my parents and myself be eliminated, physically irradiated, to make for a better world. Of course it was madness."

Ortiz explained that a youthful flirtation with Marxism had evaporated in the face of ideological forces such as Pol Pot.

But there are other kinds of madness, I reflected, to which a collector might be prone. Ortiz describes his first encounters with some objects as "emotional, instantaneous, visceral". That's called falling in love, I said.

"It's like falling in love. But afterwards it's completely different." The desire faded, leaving appreciation behind.

Ortiz has written as if some objects were destined to come to

him. I asked: When does appreciation turn into covetousness?

"Oh, I don't think I've ever coveted in that sense. Don't you think I have enough? I've lost two or three objects I thought I really deserved to have to nouveau-riche collectors."

"But that's life. I'm going to die soon and be separated from my objects. I get just as much appreciation out of seeing a marvellous object in a museum or even in other collections."

"I don't know. You're psycho-annoying me now. Maybe. Maybe."

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Ortiz has written as if some objects were destined to come to

or a university. Yours is an unusual way to make a political point.

"It's totally unusual. But you see those others are great businessmen or entrepreneurs who have made huge fortunes and then want to do something for their name or out of idealism, or out of guilt. Or they want to have some power or influence."

"But you have been accumulating, I said.

"I'm not accumulating for accumulation's sake. I'm accumulating because I'm building up a collection

tic who - unlike the authors of the figures he has collected - expects no after-life.

"All gods are the invention of man in front of the anguish of death," he said. "I accept I disappear, but the future will have me in it."

He says he will not sell his collection before he dies but leave it to his four children to dispose of if they need to. All have had the best educations. At their father's urging, the three sons, George, Oliver and Nicholas, are learning to become streetwise: they have set up a store in Vilnius, Lithuania, which employs 100. The daughter, Graziella, is at university in the US.

I asked if he had made sacrifices.

Ortiz becomes breathless when describing the message he says his collection - his creation - is conveying to mankind: it is one of responsibility, hope, dignity, respect, for the other. If you don't come to peace with yourself and love yourself, you can't love anybody else."

You should have been a clergyman, perhaps.

"No, because I don't like preaching. I want to show people, but people must perceive by themselves."

Although brought up a Roman Catholic, George Ortiz is an agnostic.

He is a man who - unlike the authors of the figures he has collected - expects no after-life.

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"All gods are the invention of man in front of the anguish of death," he said. "I accept I disappear, but the future will have me in it."

No place for pregnant fathers

Even new man is superfluous at a birth. Nigel Spivey finds women know best

man, go home. Yes, when it comes to the crunch of childbirth there is no place for a man, not even a new one.

It is women's business: it is (as they say) women's "space". The authors of the old British Medical Association booklets will be happily nodding at this. They told us so. Stick to boiling kettles or pacing along the hospital corridors with bouquets and champagne: that is what the men were ordained to do, once upon a time.